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

PLACING AND PUBLIC OFFER

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



MIZUHO SECURITIES ASIA LIMITED

IMPORTANT

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

HUAYU EXPRESSWAY GROUP LIMITED

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(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares : 100,000,000 Shares (subject to the Over-allotment

Option)

Number of Placing Shares : 90,000,000 Shares (subject to reallocation and

the Over-allotment Option)

Number of Public Offer Shares : 10,000,000 Shares (subject to reallocation)

Offer Price : Not more than HK\$1.35 per Offer Share (payable in

full on application in Hong Kong dollars and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$1.23 per Offer Share

Nominal value : HK\$0.01 per Share

Stock code : 1823

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



MIZUHO SECURITIES ASIA LIMITED

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before December 17, 2009 or such later time as may be agreed between the parties, but in any event, no later than December 21, 2009. If, for any reason, the Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before December 21, 2009, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$1.35 per Offer Share and is currently expected to be not less than HK\$1.23 per Offer Share unless otherwise announced in the manner set out below. Investors applying for Offer Shares must pay the maximum Offer Price of HK\$1.35 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price finally determined is lower than HK\$1.35 per Offer Share. The Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.huayu.com.hk. If, for any reason, the Offer Price is not agreed between the Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before December 21, 2009, the Share Offer will not become unconditional and will lapse. In such circumstances, an announcement will be made in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese). Such announcement will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.huayu.com.hk. For further information, see the section headed "How to Apply for Public Offer Shares — Publication of Results" in this prospectus.

Prior to making an investment decision, prospective investors of the Offer Shares should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Bookrunner, for itself and on behalf of the Public Offer Underwriters, is entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving written notice to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date upon occurrence of any of the events set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Wednesday, December 16, 2009
Latest time for lodging WHITE and YELLOW Application Forms	. 12:00 noon on Wednesday, December 16, 2009
Latest time for giving electronic application instructions to HKSCC ⁽³⁾	. 12:00 noon on Wednesday, December 16, 2009
Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽⁴⁾	11:30 a.m. on Wednesday, December 16, 2009
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	. 12:00 noon on Wednesday, December 16, 2009
Application lists close ⁽²⁾	. 12:00 noon on Wednesday, December 16, 2009
Expected Price Determination Date on or before ⁽⁵⁾	
Announcement of	
• the final Offer Price;	
• the level of applications in the Public Offer;	
• the level of indications of interest in the Placin	g; and
• the basis of allotment of the Public Offer Share	es
expected to be published in South China Morning Po (in English) and Hong Kong Economic Times (in Ch	inese)
on or before	Tuesday, December 22, 2009
Results of allocations in the Public Offer (with successful applicants' identification docume where appropriate) to be available through a variet (please refer to the section headed "How to Apply Public Offer Shares — Publication of Results"	ty of channels for
in this prospectus)	Tuesday, December 22, 2009
Despatch/collection of share certificates and refund cheques on or before ⁽⁶⁾	Tuesday, December 22, 2009
Dealings in the Shares on the Main Board of the Stoce expected to commence on	_

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 16, 2009, the application lists will not open on that day. Further information is set out under the section headed "How to Apply for Public Offer Shares Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (3) Applicants who wish to apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares Applying by Giving Electronic Application Instructions to HKSCC" in this prospectus.
- (4) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) The Price Determination Date is expected to be on or before December 17, 2009. If, for whatever reason, the Offer Price is not determined on December 17, 2009, the expected timetable may be postponed, but in any event, the expected date and time of the determination of the Offer Price will not be later than December 21, 2009. If, for any reason, the Offer Price is not agreed between the Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before December 21, 2009, the Share Offer will not become unconditional and will lapse.
- (6) Refund cheques will be issued without interest in respect of wholly or partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the maximum Offer Price per Offer Share initially paid on application. Applicants for 1,000,000 Public Offer Shares or more and who have indicated in their Application Forms or HK eIPO White Form applications that they wish to collect refund cheques and share certificates (as relevant) personally from the Hong Kong Branch Share Registrar may collect refund cheques (where applicable) and share certificates (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, December 22, 2009 or any other date notified by our Company in the newspapers as the date of despatch of share certificates/refund cheques. Individual applicants who opt for personal collection must not authorise any other person to make their collection on their behalf. Corporate applicants that opt for personal collection must attend by their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Form promptly thereafter. Further information is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

In the event of any change to the above expected timetable, an announcement will be made by our Company.

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, December 23, 2009 provided that the Share Offer has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.

Any information or representation not made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Bookrunner, the Underwriters, any of their respective directors or affiliates of any of them or any other person or parties involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

Introduction

Our Group is a project company in the infrastructure sector in China. Its primary business is to invest, build, operate and manage infrastructure projects in China. At present, our Group's only project is the Sui-Yue Expressway (Hunan Section) (隨州至岳陽高速公路湖南段), which is a dual three-lane expressway with a planned length of approximately 24.08 km. The Sui-Yue Expressway (Hunan Section) is currently under construction and is planned to be completed by the end of 2011. Our Group will operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement, under which the concession period is 27 years (excluding construction period). The concession period is expected to commence from early 2012. No toll fee revenue will be generated from the Sui-Yue Expressway (Hunan Section) before it commences operation.

The Sui-Yue Expressway (Hunan Section)

General

The Sui-Yue Expressway (Hunan Section) will constitute an important and integral part of the Sui-Yue Expressway which connects the Hunan and Hubei Provinces with the Jing-Yue Yangtze River Highway Bridge crossing over the Yangtze River. The Sui-Yue Expressway (Hunan Section) will connect the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan (昆山) in Yueyang city, and connect to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau.

Key Data

Route From the southern end of the Jing-Yue Yangtze

River Highway Bridge in Daorenji town to Kunshan in Yueyang city

Total length 24.08 km

Classification Expressway

Number of lanes Dual three-lane (雙向六車道)

Maximum design speed 120 km per hour

Toll system Closed system

Number of toll plazas 4 toll plazas (Daorenji Main Line Toll Plaza (道仁磯主線收費站),

Daorenji Toll Gate (道仁磯匝道收費站), Yunxi Toll Gate (雲溪匝道

收費站) and Kunshan Toll Gate (昆山匝道收費站)

Number of interchanges 3 interchanges (Daorenji Bi-directional Stack Interchange (道仁磯

互通立交), Yunxi Bi-directional Stack Interchange (雲溪互通立交)

and Kunshan Bi-directional Stack Interchange (昆山互通立交)

Joint venture partner Shenzhen Huayu Investment & Development (Group) Co., Ltd.

(深圳華昱投資開發(集團)股份有限公司) (Huayu Investment), which holds 10% equity interest in Daoyue, the Group's project

company for the Sui-Yue Expressway (Hunan Section) project

Investment mode Build-Operate-Transfer

Concession period 27 years (excluding construction period)

It is expected that the Sui-Yue Expressway (Hunan Section) will be further connecting to the following expressways:

- the Yueyang-Rucheng Expressway (岳陽至汝城高速公路);
- the Yueyang-Linwu Expressway (岳陽至臨武高速公路); and
- the Hangzhou-Ruili State Expressway (杭州至瑞麗國家高速公路).

According to Hunan Provincial Expressway Network Planning (湖南省高速公路網規劃) issued by the Hunan Transportation Department in 2006, the Yueyang-Rucheng Expressway, the Yueyang-Linwu Expressway and the Hangzhou-Ruili State Expressway are considered crucial expressways connecting Hunan Province with other provinces in China.

The Sui-Yue Expressway (Hunan Section) will therefore constitute an important and integral part of the Sui-Yue Expressway and provide a high speed link for travel between Hunan Province, Hubei Province and other provinces in China.

Management Team

Our management has been involved in the Sui-Yue Expressway (Hunan Section) project since the project's initiation. Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing and Ms. Mao Hui, all of whom are our Directors, have been involved in the Sui-Yue Expressway (Hunan Section) project at different points in time since the project's initiation in 2003. All of them will continue to develop and manage the Sui-Yue Expressway (Hunan Section) project.

Our management also has the relevant experience in managing and operating toll expressway in China. Mr. Chan Yeung Nam and Mr. Chen Min Yong, both of whom are our Directors, have been involved in the operation and management of expressway projects for more than 10 years. Mr. Fu Jie Pin, one of our Directors, had been responsible for management and maintenance work of expressway electronic toll collection system from 1998 to 2009.

Joint Venture Arrangements

The Sui-Yue Expressway (Hunan Section) is being undertaken by Daoyue as a Sino-foreign equity joint venture established pursuant to the JV Contract and according to applicable PRC laws, which equity interest is held as to 90% by Good Sign Limited, an indirect wholly-owned subsidiary of our Company, and as to 10% by Huayu Investment.

The JV Contract governs the interests of Good Sign and Huayu Investment and their respective entitlements to share in the future net operating income of the Sui-Yue Expressway (Hunan Section). Pursuant to the JV Contract, the profit of Daoyue will be shared between Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue. Any risk and liabilities in relation to the operation of Daoyue shall be borne by Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue.

Project Concession

The Concession Agreement is based on the "build-operate-transfer" or "BOT" model. According to the Concession Agreement, all legal profits derived from operation of the Sui-Yue Expressway (Hunan Section) during the concession period shall belong to Daoyue.

The Concession Agreement shall terminate 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. At termination of the Concession Agreement, the right to operate and all fixed assets associated with the Sui-Yue Expressway (Hunan Section) will be transferred to the responsible governmental authorities at nil consideration.

Traffic management

We believe that adopting effective traffic management, optimizing toll collection process, facilitating convenient, fast and safe transit, will be key to establishing and maintaining the Sui-Yue Expressway (Hunan Section)'s status as a prime route of choice, particularly having regard to the expected increase in traffic volume. We believe that the three factors which principally contribute to congestion and delay at expressways are accidents, heavy traffic flow (either generally or at specific pressure points), and lane restrictions resulting from repair and maintenance works. Our Company's operational strategies aim at mitigating the problems likely to arise from these factors, based on forward planning and anticipation of demand.

Revenues

We expect our revenues will substantially come from toll receipts collected at toll plazas after the commencement of the operation of the Sui-Yue Expressway (Hunan Section). Toll rates for the Sui-Yue Expressway (Hunan Section) will be subject to the approval by the Hunan Provincial Government after the joint review and approval by the Hunan Provincial Price Bureau and the Hunan Transportation Department. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to end-users.

Other income

Our Directors expect Daoyue will generate a comparatively small amount of additional revenues from a combination of franchises for shopping spaces, convenient stores, restaurants, motels, gas stations and garages at the service centre, rescue services and advertising boards.

COMPETITIVE STRENGTHS

We are currently developing the Sui-Yue Expressway (Hunan Section). We believe that our future prospects are attributable to the following competitive strengths:

Our project is strategically located in Hunan Province, one of the high economic growth provinces in China

- In 2008 and the first quarter of 2009, Hunan Province's economic performance remained strong despite the economic slowdown in China.
- 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.

Our project is an integral part of the major artery between Hunan Province and Hubei Province

- The Jing-Yue Yangtze River Highway Bridge, once completed and open to traffic, will fulfill the traffic need for a high speed link between Hubei Province and Hunan Province, in particular, between the Wuhan-Jingzhou area in Hubei Province and Yueyang area in Hunan Province.
- We believe that, once the Sui-Yue Expressway (including the Hunan section) is completed and open to traffic, the enormous economic potential of the currently restricted trading between the Wuhan-Jingzhou area in Hubei Province and the Yueyang area in Hunan Province will be realized, resulting in significant vehicle turnover for the Sui-Yue Expressway (Hunan Section).

Our project connects to major expressway networks in China and various feeder roads in Hunan Province

• The Sui-Yue Expressway (Hunan Section) will be supported by existing and future expressway networks in China and major feeder roads connecting with many of the most populous and important regions and other facilities in Hunan Province. We believe that the multiple connectivity of the Sui-Yue Expressway (Hunan Section) will be very attractive to future road users, thereby enhancing our growth prospects.

Our project benefits from high barriers to competition and the territorial feature of expressway projects

- The process of obtaining necessary official approvals, land use rights and financing for a PRC expressway project is, in particular, complex, lengthy and expensive.
- Expressway projects such as the Sui-Yue Expressway (Hunan Section) are territorial in nature. Competition may only arise where the alternative road (if any) is close to, and no less efficient than, the Sui-Yue Expressway (Hunan Section).
- The Hunan Transportation Department has agreed in principle in the Concession Agreement that, during the concession period of 27 years of the Sui-Yue Expressway (Hunan Section), as long as the transport volume of the Sui-Yue Expressway (Hunan Section) does not approach or reach saturation point, the Hunan Transportation Department will not procure the construction of another expressway which will run in parallel and compete with the Sui-Yue Expressway (Hunan Section) and, if such expressway is necessary according to the circumstances, we shall have the right of first refusal to invest in such expressway.

Our Group benefits from experienced and professional management and is well positioned to capitalize on new opportunities

• Our Group's management team comprises a core group of highly experienced professionals with the origination, development, management, engineering, operational and financial skills necessary for the effective initiation, promotion, development and management of major PRC toll-expressway and other infrastructure projects.

PROSPECTS

The Sui-Yue Expressway (Hunan Section), when completed, will fulfil the traffic need for a high speed link between Daorenji town and Yueyang city. It will be located in Hunan Province, one of the high economic growth provinces in China. It will not only be connecting to various feeder roads in Hunan Province but also, to the north, the Hubei section of the Sui-Yue Expressway to reach Hubei Province and further other roads and expressways to reach Henan Province, northwest China area and northeast China area and, to the south, the existing Jing-Gang-Ao Expressway to reach Guangdong Province, Hong Kong and Macau. In the future, Sui-Yue Expressway (Hunan Section) will also be connecting to expressways to Zhejiang Province, Anhui Province, Jiangxi Province, Guizhou Province and Yunnan Province. We expect there to be an immediate and increasing demand for a high speed route between these major places.

Further, the Sui-Yue Expressway (Hunan Section), when completed, will constitute an important and integral part of the Sui-Yue Expressway. The Sui-Yue Expressway will be running from Suizhou city in Hubei Province, crossing over the Yangtze River via the Jing-Yue Yangtze River Highway Bridge and reaching Yueyang city in Hunan Province. It will fundamentally change the way the people from Hubei Province (the area in between Wuhan and Jingzhou) going to Hunan Province Yueyang area and vice versa. At present, 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 that crosses over the Yangtze River 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 required to take ferry to cross the Yangtze River. We believe that, once the Sui-Yue Expressway (including the Hunan section which is currently being developed by our Group) is completed and open to traffic, the enormous economic potential of the currently restricted trading between Hubei Province (the area in between Wuhan and Jingzhou) and Hunan Province (Yueyang area) will realize and provide significant vehicle turnover for the Sui-Yue Expressway (Hunan Section).

TRADING RECORD DURING THE TRACK RECORD PERIOD

The following table is a summary of the combined results of our Group for the three financial years ended December 31, 2008 and the six months ended June 30, 2009, prepared on the basis that the current structure of our Group was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

Summary Combined Income Statement Information

				Six montl	hs ended
	Year ended December 31,			June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(u	inaudited)	
Turnover	1,874	5,573	10,080	1,530	23,988
Cost of construction services	(1,833)	(5,450)	(9,858)	(1,496)	(23,460)
Gross profit	41	123	222	34	528
Other revenue	6	46	126	35	39
Administrative expenses	(838)	(1,003)	(3,569)	(1,522)	(3,664)
Loss before taxation	(791)	(834)	(3,221)	(1,453)	(3,097)
Income tax benefit	271	168	831	372	487
Loss for the year/period	(520)	(666)	(2,390)	(1,081)	(2,610)
Attributable to: — Equity shareholders of					
the Company	(465)	(588)	(2,140)	(970)	(2,424)
— Minority interests	(55)	(78)	(250)	(111)	(186)
Loss for the year/period	(520)	(666)	(2,390)	(1,081)	(2,610)
Loss per share (HK\$) — Basic and Diluted (Note)	(0.0016)	(0.0020)	(0.0071)	(0.0032)	(0.0081)

Note: The calculation of basic loss per share for the Relevant Period is based on the net loss attributable to the ordinary equity shareholders of the Company for each of the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 and 1 ordinary share of the Company issued on April 21, 2009 and 299,999,999 ordinary shares of the Company issued on November 30, 2009 as approved by the written resolutions of the sole shareholder of the Company passed on November 30, 2009 as if these shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted loss per share is equivalent to basic loss per share.

Summary Combined Balance Sheet Information

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Non-current assets	2,202	8,574	122,684	275,167
Current assets	49,917	50,443	15,270	154,270
Total Assets	52,119	59,017	137,954	429,437
Equity and Liabilities				
Current liabilities	2,852	6,691	28,298	242,508
Non-current liabilities	_	_	_	170,520
Total Equity	49,267	52,326	109,656	16,409
Total Equity and Liabilities	52,119	59,017	137,954	429,437

Summary Combined Cash Flow Statement Information

·	Year ended December 31,			Six months ended June 30,	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 unaudited)	2009 HK\$'000
Net cash generated from/(used in) operating activities	1,999	(3,589)	26,489	1,492	(721)
Net cash used in investing activities	(1,841)	(5,661)	(111,802)	(12,045)	(148,587)
Net cash generated from/(used in) financing activities	49,666	(42,888)	87,627	17,755	294,939
Net increase/(decrease) in cash and cash equivalents	49,824	(52,138)	2,314	7,202	145,631
Cash and cash equivalents at beginning of the year/period Effect of foreign exchange rate	_	49,824	1,486	1,486	3,886
changes		3,800	86	97	8
Cash and cash equivalents at end of the year/period	49,824	1,486	3,886	8,785	149,525

MARKET CAPITALIZATION

Based on theBased on theOffer Price ofOffer Price ofHK\$1.23HK\$1.35

Expected market capitalization (*Note*) Approximately HK\$492 million HK\$540 million

Note: The market capitalization of our Company is calculated based on the minimum and maximum Offer Price and a total of 400,000,000 Shares in issue and to be issued immediately after completion of the Share Offer. Such number of Shares does not take into account any Shares which may fall to be allotted and issued pursuant to the Overallotment Option and any options which may be granted under the Share Option Scheme.

FUTURE PLANS

Overview

We consider that our Company is well positioned to benefit from continued economic growth in the PRC in general, and within Hunan Province in particular. In addition to general economic factors, our Company's prospects depend on a combination of factors relevant to its potential for participating in future projects.

Prospects in Hunan Province

In the shorter term, we expect to see continuing growth in traffic demand within Hunan Province driven by continuing economic growth in the PRC in general and by associated growth in vehicle ownership and usage. Based on this expectation, we believe that traffic flow for the Sui-Yue Expressway (Hunan Section) will show continuing growth.

In view of the PRC Government's increased focus on the national expressway network, we anticipate that the expressway network within Hunan Province is set to become an integral component of a larger system by which locations within Hunan Province will be connected with major cities across the PRC.

Potential Further Projects

Our Directors believe that their experience in successfully completing PRC toll-expressway projects, and the connections and reputation established by them within the PRC, will continue to lead to opportunities to participate in further projects. It is the plan of our Directors to pursue opportunities which are consistent with our Company's overall business strategies, and which our Directors believe will generate a satisfactory return on investment.

In accordance with this strategy, our Company will pursue other infrastructure projects in China whenever suitable opportunity arises. Apart from developing new infrastructure projects, our Group 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. Our Company has currently no acquisition target.

FINANCING ARRANGEMENTS

The total estimated project investment for the Sui-Yue Expressway (Hunan Section) is approximately RMB1.717 billion. It will be financed by a combination of capital contribution from the shareholders of Daoyue, bank loans and the net proceeds from the Share Offer. For further information, see section headed "Business – Financing Arrangements" in this prospectus. We consider the aggregate of such sums to be sufficient for financing the total planned project investment.

PROPOSED USE OF PROCEEDS

On the assumption that the Over-allotment Option is not exercised, the net proceeds from the Share Offer, after deducting related expenses, are estimated to be approximately HK\$109 million (based on the mid-point of the Offer Price range of HK\$1.29 per Share). Our Directors presently intend that the net proceeds from the Share Offer will be utilised for the pre-operating and development costs in relation to the development of the Sui-Yue Expressway (Hunan Section) project.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$18.7 million (based on the mid-point of the Offer Price range of HK\$1.29 per Share) will be used for the development expenses of the Sui-Yue Expressway (Hunan Section) project.

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes, it is the management's present intention to place such proceeds in short-term demand deposits, money-market instruments or other forms of banking deposits.

SUMMARY OF RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into:

Risks relating to the business of our Group

- If the Sui-Yue Expressway (Hunan Section) project cannot proceed and we are unable to pursue and operate other infrastructure projects in time, our Group's financial performance could be materially affected
- If there is any delay in the construction of the Sui-Yue Expressway (Hunan Section) project or in obtaining any major licences, permits and approvals, the value of the Shares could fall
- The financial covenants under our bank loans limit the total amount of debt financing of the Sui-Yue Expressway (Hunan Section) and may affect our future cash dividend stream

- We have a limited operating history
- Our Group could encounter difficulty in meeting its capital expenditure requirements in the future
- Our business operations may be adversely affected by the its net current liability position
- We expect to record loss in the near future
- We experienced net cash outflow from operating activities during the Track Record Period
- Turnover booked during construction phase may not represent cash revenue
- A decline in traffic volume may adversely affect the revenue and earnings of our Group
- Our Group's results of operations may be affected by competing roads and bridges and other modes of transportation
- Capital expenditure on the Sui-Yue Expressway (Hunan Section) project may be unpredictable, and the future operation of the Sui-Yue Expressway (Hunan Section) may be affected by events outside our Group's control
- Our Group has significant borrowings and therefore our Group's financial performance could be affected by general economic conditions and factors
- Toll receipts may be affected by the integrity of our planned toll collection systems
- The future operation and profitability of the Sui-Yue Expressway (Hunan Section) project would depend on the completion and operation of the other sections of the Sui-Yue Expressway and other expressways connecting to it
- Our Company will be controlled by VIL, whose interests may differ from those of our Company's other shareholders

Risks relating to the Sui-Yue Expressway (Hunan Section) Project

- Amount of total investment for the project remains to be in place
- Certain government approvals are outstanding for the project
- Preparation-stage construction work was carried out prior to obtaining the approval for commencement of construction work

- Cost overruns and delays may adversely affect our Group's results of operations
- We rely on third-party contractors to provide construction services in respect of the Sui-Yue Expressway (Hunan Section)

Risks Relating to the PRC Toll Road Sector

- The toll regime significantly impacts our Group's revenues and is regulated by government authorities
- Changes to the provincial government's transportation-related policies may impact our Group's revenues and earnings
- The imposition of restrictions or onerous requirements by governmental authorities could adversely affect our Group's project(s)

Risks Relating to Conducting Operations in the PRC

- Economic, political and social conditions, as well as government policies, in the PRC could affect our Group's results of operations
- The PRC legal system has inherent uncertainties that may limit the legal protections available to our Group
- Government control of currency conversion may adversely affect our Group's operations and financial results
- Fluctuation of the Renminbi could materially affect our Group's financial condition and results of operations
- Our Company and other offshore holding companies of Daoyue may be treated as resident enterprises for PRC tax purposes under the new enterprise income tax law, which could result in the imposition of 25% PRC enterprise income tax payable on our taxable global income
- Dividends payable by our Company to its foreign investors may become subject to taxes under PRC tax laws
- If our Company is treated as a non-resident enterprise of PRC, dividends received from Daoyue may be subject to PRC withholding tax
- The preferential tax treatment applicable to Sui-Yue Expressway (Hunan Section) project may not be granted or continue

- It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against, our Directors or our senior management members who reside in the PRC
- Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business
- We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase

Risks Relating to the Share Offer

- The liquidity and price of the Shares following the Share Offer may be volatile
- Future sales of substantial amounts of the Shares in the public market could adversely affect the price of the Shares
- Certain statistics are derived from publications not independently verified by our Group, the Underwriters or their respective advisors

ADDITIONAL APPROVALS

We have yet to obtain the acceptance certificate and the allocated land use rights certificates with respect to the Sui-Yue Expressway (Hunan Section) as the Sui-Yue Expressway (Hunan Section) is still under construction and we are only required to apply for these certificates after the construction of the expressway is completed.

We also need to obtain the land use rights certificates with respect to a small portion of the land use rights (approximately 1.2918 hectares) for the construction of toll stations and the service area will be acquired by us through payment of use fee (有償使用). We have duly paid up the aggregate use fee for such portion of land of RMB488,884 on October 29, 2009 and will enter into land grant contract with the government authority. Our PRC Legal Advisers have advised us that there is no legal impediment for us to obtain the land use rights certificates with respect to such 1.2918 hectares of land. We expect to obtain the land use rights certificates with respect to such 1.2918 hectares of land at the same time when we obtain the land use rights certificates with respect to the allocated construction land.

Apart from the above, we have been advised by our PRC Legal Advisers that all material approvals required at the current stage of the Sui-Yue Expressway (Hunan Section) project have been obtained from appropriate authorities. Please see the section headed "Risk Factors - Risks Relating to Our Sui-Yue Expressway (Hunan Section) Project" and the section headed "Business - Legal Compliance" in this prospectus for more details.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"Application Forms" WHITE application form(s), YELLOW application form(s) and **GREEN** application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer "Articles of Association" or the articles of association of our Company adopted on "Articles" November 30, 2009 and as amended from time to time "associate(s)" has the meaning ascribed thereto under the Listing Rules "Audit Committee" the audit committee of the Board "Board" the board of Directors "Bookrunner" the sole bookrunner of the Share Offer, being Mizuho "Bright Regent" Bright Regent Limited (暉雋有限公司), a company incorporated on October 10, 2003 in Hong Kong with limited liability and a wholly-owned subsidiary of our Company "Business Day" a day which is not a Saturday, a Sunday or a public holiday and on which banks in Hong Kong are generally open for business "BVI" the British Virgin Islands "CAGR" compound annual growth rate "CCASS" the Central Clearing and Settlement System established and operated by HKSCC "CCASS Clearing Participant" a person admitted to participate in CCASS as a direct clearing participant or general clearing participant "CCASS Custodian Participant" a person admitted to participate in CCASS as a custodian participant "CCASS Investor Participant" a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a

corporation

"CCASS Participant" a CCASS Clearing Participant or a CCASS Custodian

Participant or a CCASS Investor Participant

"Chairman" the chairman of the Board

"China" or "PRC" the People's Republic of China except where the context

requires, references in this prospectus to the PRC or China do

not include Hong Kong, Macau or Taiwan region

"Companies Law" the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated

and revised) of the Cayman Islands

"Companies Ordinance" the Companies Ordinance (Chapter 32 of the Laws of Hong

Kong), as amended and supplemented from time to time

"Company" Huayu Expressway Group Limited (華昱高速集團有限

公司), formerly known as Huayu Expressway Group Ltd., an exempted company incorporated on April 21, 2009 in the Cayman Islands under the Companies Law with limited liability. The expressions "we", "us" and "our Company" may be used to refer to our Company or our Group as the context

may require

"Concession Agreement" a concession agreement entitled "Suizhou to Yueyang

Expressway Hunan Section Project - Concessionary Investment, Construction, Operation and Maintenance Agreement (隨州至岳陽高速公路湖南段項目 — 特許投資、建設、經營、養護管理合同)" entered into between the Hunan Transportation Department and Daoyue on November

24, 2009

"Connected Person(s)" has the meaning ascribed to it under the Listing Rules

"Construction Land Use Rights of the land

the Project"

the land use rights for the construction land of the Sui-Yue Expressway (Hunan Section) acquired through allocation (劃

Expressway (Hunan Section) acquired through anocation (=

撥)

"Controlling Shareholder(s)" has the meaning ascribed to it under the Listing Rules and,

in the context of this prospectus, means the controlling

Shareholder of our Company, namely VIL and Mr. Chan

"CSAIC" Changsha Administration for Industry and Commerce

"Daoyue" Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司), formerly known as Hunan Daoyue Expressway Co., Ltd (湖南道岳高速公路有限公司), a

Expressway Co., Ltd (湖南道岳高速公路有限公司), a Sino-foreign equity joint venture in the form of a private company with limited liability established on December 22, 2006 in the PRC and the project company for the Sui-Yue Expressway (Hunan Section), which is currently developing the Sui-Yue Expressway (Hunan Section) project and will, once the Sui-Yue Expressway (Hunan Section) is completed and open to traffic, operate the Sui-Yue Expressway (Hunan

Section)

"Deed of Indemnity" a deed of indemnity dated December 7, 2009 entered into

among VIL, Mr. Chan and our Company for itself and as trustee for its subsidiaries, under which VIL and Mr. Chan have given certain indemnities in favour of our Group containing, among others, the indemnities referred to in the section headed "Statutory and General Information – F. Other Information – 1.

Tax and Other Indemnity" in this prospectus

"Deed of Non-competition" a deed of non-competition dated November 30, 2009 entered

into by Mr. Chan, VIL and Huayu Investment in favour of our Company (for itself and on behalf of our subsidiaries), details of which are set out in the section headed "Relationship with

Ultimate Controlling Shareholder" in this prospectus

"Director(s)" the director(s) of our Company

"GDP" gross domestic product, one of the measures of national or

regional income and output for a given nation or region's

economy

"Good Sign" Good Sign Limited (好兆有限公司), a company incorporated

on December 19, 2008 in Hong Kong with limited liability, which holds 90% equity interest in Daoyue and a wholly-

owned subsidiary of our Company

"GREEN Application Form(s)" the application form(s) to be completed by HK eIPO White

Form service provider designated by our Company

"Group" or "we" or "us" our Company and its subsidiaries, and, in respect of the period

before our Company became the holding company of such subsidiaries, the entities which carried on the business of our

Group

"HKSCC" Hong Kong Securities Clearing Company Limited

"HKSCC Nominees" HKSCC Nominees Limited

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

"Hong Kong Branch Share

Registrar"

Tricor Investor Services Limited, the Hong Kong branch share

registrar of our Company

"Hong Kong dollars" or "HK\$" Hong Kong dollars, the lawful currency of Hong Kong

"Huayu Investment" Shenzhen Huayu Investment & Development (Group) Co., Ltd.

(深圳華昱投資開發(集團)股份有限公司), a Sino-foreign joint stock company with limited liability established on July

22, 1993 in the PRC

"Hunan Transportation Department"

the Department of Transportation of Hunan Province (湖南 省交通運輸廳) (formerly known as the Hunan Provincial

Communications Department (湖南省交通廳))

"Independent Third Party(ies)"

party(ies) which are not connected with any member of our Group, our Directors, the chief executives and the substantial shareholders of our Company or any of its subsidiaries or any

of their respective associates

"Initial Concession Agreement"

a concession agreement entitled "Hubei Suizhou to Yueyang Hunan Section Expressway Project — Concessionary Investment, Construction, Operation and Maintenance Agreement (湖北隨州至岳陽湖南段高速公路項目 — 特許投資、建設、經營、養護管理合同)" entered into between the Hunan Transportation Department and Huayu Investment on October 23, 2004, which was terminated on November 24, 2009 when the Concession Agreement became valid and effective

"Jinfeng"

Jinfeng Global Information Consultancy (Shenzhen) Co., Ltd. (金豐環球信息咨詢(深圳)有限公司), formerly known as Jinfeng Global Industry (Shenzhen) Co., Ltd. (金豐環球實業(深圳)有限公司), a limited liability company established on April 16, 1994, which transferred 40% equity interest in

Daoyue to Huayu Investment on October 11, 2007

"JV Contract" a Sino-foreign equity joint venture contract entered into

between Good Sign and Huayu Investment on February 28,

2009

"km" kilometer(s)

"Latest Practicable Date" December 7, 2009, being the latest practicable date prior to the

printing of this prospectus for ascertaining certain information

in this prospectus

"Lead Manager" the sole lead manager of the Share Offer, being Mizuho

"Listing" the listing of our Shares on the Main Board of the Stock

Exchange

"Listing Committee" the Listing Committee of the Stock Exchange

"Listing Date" December 23, 2009, the date on which our Shares are listed on

the Main Board of the Stock Exchange

"Listing Rules" the Rules Governing the Listing of Securities on The Stock

Exchange of Hong Kong Limited

"m" metre(s)

"Macau" the Macau Special Administrative Region of the PRC

"Main Board" the stock market operated by the Stock Exchange prior to the

establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the

Growth Enterprise Market of the Stock Exchange

"Memorandum" or

"Memorandum of Association"

the memorandum of association of our Company as amended

from time to time

"Mizuho" Mizuho Securities Asia Limited, licensed to conduct Type 1

(dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, acting as the sponsor to the Listing, and the

bookrunner and the lead manager of the Share Offer

"MOC" the Ministry of Communications of the PRC, which has been

merged into MOT in 2008

"MOT" the Ministry of Transport of the PRC

"Mr Chan" or "Ultimate Mr. Chan Yeung Nam, a founder of our Group, our chairman Controlling Shareholder" and an executive Director "NDRC" the National Development and Reform Commission of the PRC "Offer Price" the final offer price per Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which each Offer Share as to be subscribed for and issued pursuant to the Share Offer, to be determined as further described in the section headed "Structure of the Share Offer — Pricing of the Share Offer" of this prospectus "Offer Shares" the Public Offer Shares, the Placing Shares and where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option "Over-allotment Option" the option expected to be granted by our Company to the Placing Underwriters, exercisable by Mizuho (on behalf of the Placing Underwriters) pursuant to the Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to 15,000,000 additional Shares. representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover overallocations in the Placing, subject to the terms of the Placing **Underwriting Agreement** "Parsons" Parsons Brinckerhoff (Asia) Limited, the traffic consultant of our Company "Placing" the conditional placing of the Placing Shares to certain professional, institutional and individual investors at the Offer Price, details of which are set out in the section headed "Structure of the Share Offer — The Placing" in this prospectus "Placing Shares" the 90,000,000 Shares being offered for subscription and purchase under the Placing subject to reallocation and the Over-allotment Option as described in the section headed "Structure of the Share Offer" in this prospectus "Placing Underwriters" the underwriters of the Placing appointed by our Company under the Placing Underwriting Agreement "Placing Underwriting Agreement" the conditional placing underwriting agreement expected to be entered into on or about December 17, 2009, amongst

Underwriters relating to the Placing

other parties, our Company, the Bookrunner and the Placing

"PRC Government", "PRC the government of the PRC, including all political subdivisions government", "state" or "State" (including central, provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them "PRC Legal Advisers" Global Law Office, the legal advisers of our Company as to PRC laws in connection with the Share Offer "Price Determination Agreement" the agreement to be entered into between our Company and the Bookrunner (for itself and on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price "Price Determination Date" the date, expected to be on or before December 17, 2009, on which the Offer Price is expected to be fixed for the purposes of the Share Offer and in any event no later than December 21, 2009 "Public Offer" the conditional offer of the Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms "Public Offer Shares" the 10,000,000 Shares initially offered for subscription under the Public Offer subject to reallocation as described in the section headed "Structure of the Share Offer" in this prospectus "Public Offer Underwriters" the underwriters listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus, being the underwriters of the Public Offer "Public Offer Underwriting the conditional Hong Kong underwriting agreement dated December 10, 2009 entered into, amongst other parties, our Agreement" Company, the Bookrunner and the Public Offer Underwriters relating to the Public Offer, brief particulars of which are summarised in the section headed "Underwriting" in this prospectus

the remuneration committee of the Board

Regulation S under the Securities Act

"Regulation S"

"Remuneration Committee"

"Reorganisation" the reorganisation of our Group of companies now comprising

our Group, the details of which are set out in the section headed "History, Development and Group Structure - Corporate

Reorganisation" in this prospectus

"Repurchase Mandate" the general unconditional mandate relating to the repurchase

of the Shares, given to our Directors, further details of which are contained in the section headed "Statutory and General Information — 5. Repurchase by our Company of our

Securities" in Appendix VII to this prospectus

"RMB" Renminbi, the lawful currency of the PRC

"SAFE" the State Administration of Foreign Exchange of the PRC

"Securities Act" the U. S. Securities Act of 1933, as amended, and the rules and

regulations promulgated under it

"SFC" the Securities and Futures Commission of Hong Kong

"SFO" the Securities and Futures Ordinance (Chapter 571 of the Laws

of Hong Kong), as amended and supplemented from time to

time

"Share(s)" ordinary share(s) in the share capital of our Company, with a

nominal value of HK\$0.01 each

"Share Offer" the Public Offer and the Placing

"Share Option Scheme" the share option scheme conditionally adopted by our

Company pursuant to a resolution passed by our Shareholders on November 30, 2009, the principal terms of which are summarised under the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix VII to

this prospectus

"Shareholder(s)" holder(s) of the Share(s)

"Shuiguan Expressway" an 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 an Mr. Chan collectively hold 60% interest

"Shuiguan Expressway Extension Line"	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), 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
"Sponsor"	the sole sponsor to the Listing, being Mizuho
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about December 17, 2009 between Mizuho and VIL pursuant to which Mizuho (on behalf of the Placing Underwriters) may borrow up to 15,000,000 Shares from VIL to cover overallocations under the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"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
"Sui-Yue Expressway (Hunan Section)" or "Hunan Section"	the 24.08 km section of the Sui-Yue Expressway that lies in Hunan Province, which construction is currently in progress and which will be partly financed by the net proceeds from the Share Offer
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
"Top Talent"	Top Talent Holdings Limited (高明控股有限公司), a company incorporated on March 18, 2003 in the BVI with limited liability which legally and beneficially holds 100% equity interest in Good Sign and Bright Regent and a wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended December 31, 2008 and the six months ended June 30, 2009
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters

"Underwriting Agreements" Placing Underwriting Agreement and Public Offer

Underwriting Agreement

"United States" or "U.S." the United States of America

"US\$", "USD" or "U.S. dollars" United States dollars, the lawful currency of the U.S.

"VIL" Velocity International Limited, the controlling shareholder

of our Company which was a limited liability company incorporated on April 3, 2003 in the BVI and is wholly owned

by Mr. Chan

"HK eIPO White Form" the application for Public Offer Shares to be issued in the

applicant's own name by submitting applications online

through the designated website at www.hkeipo.hk

"HK eIPO White Form Service

Provider"

the HK eIPO White Form service provider designated by our Company, as specified on the designated website at

www.hkeipo.hk

"%" per cent.

Unless otherwise specified, amounts not derived from the "Accountants' Report" in Appendix I to this prospectus and denominated in RMB and US\$ have been translated for the purpose of illustration only into HK\$ in this prospectus at the following rates:

HK\$1: RMB0.88 HK\$7.8: US\$1 US\$1: RMB6.8

No representation is made that any amounts in RMB, HK\$ or US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Certain amounts set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

The English names of PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

GLOSSARY

The glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

In this prospectus, the words "road" and "highway" have the same meaning and an "expressway" is a road of the highest grade in the PRC.

"expressway" (1) a bi-directional, divided multi-lane road with full access control for vehicles and a maximum design speed of between 80 and 120 km per hour, which should accommodate a transport volume of between 25,000 to 100,000 vehicles per day on average "class I"(1) a bi-directional, divided multi-lane road with access control depending on the needs for vehicles and a maximum design speed of between 60 and 100 km per hour, which should accommodate a transport volume of between 15,000 to 55,000 vehicles per day on average "class II"(1) a two-lane road with a maximum design speed of between 60 and 80 km per hour, which should accommodate a transport volume of between 5,000 to 15,000 vehicles per day on average "class III" (1) a two-lane road with a maximum design speed of between 30 and 40 km per hour, which should accommodate a transport volume of between 2,000 to 6,000 vehicles per day on average "class IV"(1) a two-lane or single-lane road with a maximum design speed of 20 km per hour, which should accommodate a transport volume of not more than 2,000 vehicles (with respect to a twolane road) and not more than 400 vehicles (with respect to a single-lane road) per day on average "closed system" a toll system in which the expressway is divided in several

sections by interchanges and tolls are calculated by reference to the distance travelled in each section; and in the event that more than one section of the expressway is used, tolls

calculated in each relevant section will be accumulated

GLOSSARY

"provincial roads" the abbreviation of "trunk roads at the level of provinces, autonomous regions or municipalities directly under the Central Government", which are the trunk roads within a province with provincial (or autonomous regional or municipal) political and economical significance and links core cities and major economic areas of the province, and the major inter-provincial trunk roads that are not categorized to be state roads "state roads" the abbreviation of "trunk roads at state level", which are major trunk roads with political and economical significance at the state level, including major international roads, defense highways, highways linking the capital and respective capital cities of the provinces and autonomous regions as well as the municipalities directly under the Central Government, and also highways connecting economic centers, traffic hubs and terminals, production bases and areas of strategic importance "IC card" integrated circuit card, a card with embedded chip which can store, encrypt and process data

Note:

(1) These definitions are given according to the Technical Standard of Highway Engineering (公路工程技術標準) (JTG B01-2003) issued in January 2004 by the MOC.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements". All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "could", "expect", "plan", "aim", "intend", "will", "would", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements include, without limitation, forward-looking statements relating to:

- our business and operating strategies;
- our capital expenditure and project development plans;
- various business opportunities that we may pursue;
- our dividend policy;
- our operations and business prospects;
- our financial condition and results of operations;
- the availability and costs of bank loans and other forms of financing;
- the expressway regulatory environment; and
- the expressway industry outlook generally.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future developments in the expressway or transportation industry in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC Government and the local authorities in Hunan Province;

FORWARD-LOOKING STATEMENTS

- the performance of the obligations and undertakings of the independent contractors under various construction contracts:
- changes in currency exchange rates;
- significant delay in obtaining the relevant approvals for our project;
- other factors beyond our control.

Additional factors that could cause performance or achievements to differ materially include, but are not limited to, those discussed in the section headed "Risk Factors" and elsewhere in this prospectus as well as the following:

- any changes in the MOT's policies in relation to provincial and municipal expressway networks, transfers of operating rights, toll rates and the planning, development, construction and management aspects of expressways in the PRC;
- any changes in the regulatory policies of the PRC Government, the Hunan Provincial Government and other relevant government authorities relating to, among other things, joint venture arrangements and capital investment priorities;
- the effects of competition on the demand for and change in toll rates of the Sui-Yue Expressway (Hunan Section);
- the development of new routes affecting our Group's current and future business;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government's specific policies with respect to economic growth, inflation, foreign exchange, institutional lending policies and the availability of credit; and
- changes in population growth and GDP growth in the PRC, Hunan Province and Hubei Province and the impact of those changes on the demand for the Sui-Yue Expressway (Hunan Section).

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

RISK FACTORS

You should carefully consider all the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment in the PRC may differ in various respects from that which prevails in other countries. Our business, financial conditions or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares being offered in this Share Offer could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into (i) risks relating to the business of our Group; (ii) risks relating to our Sui-Yue Expressway (Hunan Section) project; (iii) risks relating to the PRC toll road sector; (iv) risks relating to conducting operations in the PRC and (v) risks relating to the Share Offer. Prospective investors of the Shares should read carefully all information set forth in this prospectus and, in particular, this section in connection with an investment in our Group.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

If the Sui-Yue Expressway (Hunan Section) project cannot proceed and we are unable to pursue and operate other infrastructure projects in time, our Group's financial performance could be materially affected

Our Group is a project company in the infrastructure sector in China. Its primary business is to invest, build, operate and manage infrastructure projects in China. At present, our Group's only project is the Sui-Yue Expressway (Hunan Section). We will pursue the initiation, promotion, development and operation of other infrastructure projects (especially toll-expressway projects) in China, although we have not identified any potential infrastructure projects as at the Latest Practicable Date.

If the Sui-Yue Expressway (Hunan Section) project cannot proceed for any reason and we are unable to pursue other infrastructure projects in time, our Group might not have any operating business at all which might have adverse effect on our Company and our Group's financial performance could be materially affected.

RISK FACTORS

If there is any delay in the construction of the Sui-Yue Expressway (Hunan Section) project or in obtaining any major licences, permits and approvals, the value of the Shares could fall

Our ability to operate profitably depends on the successful implementation of the Sui-Yue Expressway (Hunan Section) project. Achieving profitability in the soonest time requires us to obtain all major licences, permits and approvals in a timely manner. We expect that the construction of the Sui-Yue Expressway (Hunan Section) will be completed by the end of 2011 and all the outstanding licences, permits and approvals required for our future toll road operations will be obtained by the end of 2011, and the Sui-Yue Expressway (Hunan Section) will commence trial operation immediately after the construction is completed and the passing of the delivery checking. We aim to generate profits from our operations as soon as practicable after the Sui-Yue Expressway (Hunan Section) commences operations. If there is any delay in any stage of construction of the Sui-Yue Expressway (Hunan Section) project, any delay in obtaining any of the major licences, permits and approvals, or any difficulty encountered in the operation of the Sui-Yue Expressway (Hunan Section) project, our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

The financial covenants under our current bank loans may limit the total amount of debt financing of the Sui-Yue Expressway (Hunan Section) and affect our future cash dividend stream

The total estimated project investment for the Sui-Yue Expressway (Hunan Section) of approximately RMB1.717 billion will be financed by a combination of registered capital, bank loans and the net proceeds from the Share Offer. Please refer to the risk factor headed "Risks relating to our Sui-Yue Expressway (Hunan Section) Project — Amount of total investment for the project remains to be in place" below for further details.

Among the amount of the total estimated project investment, approximately RMB1.10 billion is intended to be financed partly by bank loans to be borrowed by Daoyue. In this respect, Daoyue signed a loan agreement with Shenzhen Longgang Branch of China Merchants Bank on April 30, 2009 for a RMB denominated fixed assets loan of total amount of RMB1.10 billion. Pursuant to the loan agreement, we have given financial covenants to the bank that (1) our Group is required to invest not less than 35% of the total investment in the Sui-Yue Expressway (Hunan Section) and (2) our Group is required to maintain cash on hand with 130% of annual loan and interest repayment and obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2013 to 2027. The financial covenants limit the total amount of debt financing of the Sui-Yue Expressway (Hunan Section) to 65% of the total investments and the requirements of maintaining certain amount of cash on hand may affect our future cash dividend stream.

We have a limited operating history

Our business is still in an early stage of development, and there is limited historical information available upon which you can base your evaluation of our business and prospects. As the Sui-Yue Expressway (Hunan Section) is still under construction and we will not generate toll road revenue until the Sui-Yue Expressway (Hunan Section) is completed and open to traffic, our past operating results are not indicative of future operating results and prospects. You should consider our business and prospects in light of the risks and uncertainties that we will face as a company developing and operating expressways.

Our Group could encounter difficulty in meeting its capital expenditure requirements in the future

The construction and operation of the Sui-Yue Expressway (Hunan Section) require substantial capital investment. Such capital investment is estimated to amount to a total of RMB1.717 billion comprising (i) incurred capital expenditure, up to Latest Practicable Date, of approximately RMB370 million; and (ii) planned future capital expenditure of approximately RMB1.347 billion. As at November 30, 2009, our Group has drawn down RMB300 million of our Group's long term bank loan and the amounts of outstanding banking facilities available to our Group is approximately RMB800 million. Our Directors are of the view that our Company will have sufficient working capital to finance our Group's working capital for our present capital expenditure requirements and for the period ending 12 months from the date of this prospectus. We may be required to seek funding from third parties if the existing bank facilities are insufficient to finance our Sui-Yue Expressway (Hunan Section) project. In the event that we are unable to obtain adequate financing on acceptable terms, or at all, to implement our Sui-Yue Expressway (Hunan Section) project, our business and operating results may be materially and adversely affected.

Our business operations may be adversely affected by our net current liability position

We had net current liabilities of HK\$13,028,000 and HK\$88,238,000 as at December 31, 2008 and June, 30, 2009 respectively. The majority of our net current liabilities was attributable to the contract guarantee deposits payable to the construction contractors of the Sui-Yue Expressway (Hunan Section). After the assignment of amounts due to the Controlling Shareholder of HK\$513,387,993 to the Company on December 7, 2009, the net current liability position of our Group will be improved. But we cannot assure you that we will be able to maintain our net current assets position in the future and our business operations may be adversely affected by if we are in net current liability position.

We expect to record loss in the near future

We incurred losses of HK\$520,000, HK\$666,000, HK\$2,390,000 and HK\$2,610,000 for the three financial years ended December 31, 2008 and the six months ended June 30, 2009 respectively. We aim to generate profits from our operations as soon as practicable after the Sui-Yue Expressway (Hunan Section) commences operation, which is currently expected to be by the end of 2011. Pending the Sui-Yue Expressway (Hunan Section) commencing operation, we expect to continue to record loss.

We experienced net cash outflow from operating activities during the Track Record Period

During the Track Record Period, we had net cash outflow from operating activities. This totalled HK\$3,589,000 for the year ended December 31, 2007 and HK\$721,000 for the six months period ended June 30, 2009. No operating toll road revenue and cash inflow will be generated until the Sui-Yue Expressway (Hunan Section) is completed and commences operation. Net cash outflow from operating activities means that we spend more on operating activities than we receive in cash from operating activities. There is no assurance that our operations will generate sufficient cash flow to meet our operating and capital requirements in the future. We expect our Group's net cash outflow will continue in the near future as our Group needs to invest substantial amount in the Sui-Yue Expressway (Hunan Section) project until it is completed. In view of our reliance on the project loan for the Sui-Yue Expressway (Hunan Section) and hence a high level of financial leverage, in the event that we are unable to generate sufficient cash flows from our operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plans will be adversely affected. Negative operating cash flows could also adversely affect our financial condition and weaken our ability to repay our outstanding debt facilities or to obtain additional external financing on acceptable terms or to renew our existing financing facilities as they fall due and payable.

Turnover booked during construction phase may not represent cash revenue

During the Track Record Period, our Group recorded turnover of HK\$1,874,000, HK\$5,573,000 and HK\$10,080,000 respectively for the three years ended December 31, 2008. Such turnover represents the revenue resulting from concession service arrangement. As more fully described under the item of significant accounting policies in the notes to the accounts of the accountants' report set out in Appendix I, income and costs associated with construction work and project management provided under the service concession arrangement are recognized, using the percentage of completion method, as turnover and cost of construction services respectively in the income statement of our Group. Under this method, income is matched with the contract costs incurred in reaching each stage of completion, resulting in reporting of turnover, cost of construction and gross profit. The cost represents those actual and expected costs incurred directly related to the construction contracts. There was no real cash inflow realized or realizable during the construction phase of the infrastructure assets under the concession service arrangement. Accordingly, during the construction phase of the Sui-Yue Expressway (Hunan Section), even if there is turnover booked by our Group in its financial statements based on the accounting policy described, investors should not interpret the turnover as cash revenue.

A decline in traffic volume may adversely affect the revenue and earnings of our Group

Revenue from our Group's Sui-Yue Expressway (Hunan Section) will principally depend upon the number of motor vehicles using such expressway and the applicable toll regime (see the section headed "Risk Factors — Risks Relating To The PRC Toll Road Sector — The toll regime significantly impacts our Group's revenues and is regulated by government authorities" in this prospectus).

Traffic volume is directly and indirectly affected by a number of factors, including the availability, service, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. Although we consider that the Sui-Yue Expressway (Hunan Section) will offer advantages over alternative roads, there is no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, and consequently adversely affect the revenue and earnings of our Group.

The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network in Hunan Province will not adversely affect the traffic volume on the Sui-Yue Expressway (Hunan Section).

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC and in particular, Hunan Province. Any adverse changes in these economies may adversely affect the traffic volume on the Sui-Yue Expressway (Hunan Section).

Parsons has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for the Sui-Yue Expressway (Hunan Section). Please refer to the section headed "Traffic Consultant's Report" in Appendix IV to this prospectus. The respective traffic and revenue projections of our Group's Sui-Yue Expressway (Hunan Section) by Parsons were prepared using such analytical methods and models as were considered appropriate by Parsons. The projections were based on, among other things, certain assumptions regarding economic trends in Hunan Province. There can be no assurance that assumptions used in developing such projections, which include the absence of any adverse regulatory actions by the PRC Government, completion of new connections and market acceptance of the toll rate levels, will prove to be accurate. There can be no assurance that actual traffic volume will be in line with the projected traffic volume. Any significant shortfall in actual traffic volume may have a material adverse effect on our Group's revenue and earnings, and our business and operating results may be materially and adversely affected.

Our Group's results of operations may be affected by competing roads and bridges and other modes of transportation

The Sui-Yue Expressway (Hunan Section) will run from Daorenji town to Kunshan in Yueyang and connect to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line. Under the existing motorway network, motor vehicles from Daorenji town going to the Jing-Gang-Ao Expressway are required to pass through the dual single lane Provincial Road S301 and State Road G107, which are class IV road and class II road, respectively, to reach Yueyang Connecting Line to go onto the Jing-Gang-Ao Expressway. Class IV roads and class II roads are roads of lower grade compared to expressways in terms of number of lanes, maximum design speed and transport volume handling. Further details of the technical standard of highways in China are contained in the section headed "Glossary" in this prospectus. We estimate that the Sui-Yue Expressway (Hunan Section) will shorten the travel time to approximately 25 minutes from a journey of approximately 60 minutes on existing roads.

Apart from the above, our Company believes that there are currently no published or official proposals for any additional or alternative expressway connection between Suizhou, Hubei Province and Yueyang, Hunan Province, which would provide speed and convenience for travel between these cities comparable to that which will be available via the Sui-Yue Expressway (Hunan Section).

Although our Company believes that there are significant practical and commercial barriers for any third party to effect direct competition with the Sui-Yue Expressway (Hunan Section), there can be no assurance that other existing roads or modes of transportation will not significantly improve their services or reduce their charges, or that alternative roads which may charge lower tolls or provide more direct routing to locations served by our Group's Sui-Yue Expressway (Hunan Section) will not be built, in which case our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

Capital expenditure on the Sui-Yue Expressway (Hunan Section) project may be unpredictable, and the future operation of the Sui-Yue Expressway (Hunan Section) may be affected by events outside our Group's control

As part of the obligation as operator of the Sui-Yue Expressway (Hunan Section) under the service concession arrangement, Daoyue will be responsible at its own cost for the maintenance and repair of Sui-Yue Expressway (Hunan Section) throughout the operating concession period. The maintenance and repair costs incurred in respect of the obligations to restore the infrastructure to a specific level of serviceability are recognised as liabilities of Daoyue and such liabilities are recognised upon the commencement of the toll road operation. The continuing repair and maintenance of any highway or bridge involves significant expenditure. There can be no assurance that our Group's operations and financial position may not be adversely affected at some time by significant unforeseen capital expenditure requirements.

The construction and operation of the Sui-Yue Expressway (Hunan Section) may be affected by catastrophic events such as serious adverse weather, natural disasters, epidemics and major road accidents. If the construction or operation of the Sui-Yue Expressway (Hunan Section) was seriously affected as a result of any such events, our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

We will maintain insurance covers which are appropriate to the construction, operations and circumstances of the Sui-Yue Expressway (Hunan Section). Currently, we maintain construction all-risk (including third party liability) cover in respect of the construction of the Sui-Yue Expressway (Hunan Section). We also procured our contractors to take out commercial accident insurance cover for the contractors' employees. Once the Sui-Yue Expressway (Hunan Section) is completed and open to traffic, we plan to take out property all-risk insurance cover. However, neither can we guarantee that the insurance covers to be taken out can be taken out on satisfactory terms, nor can we guarantee that existing insurance covers can be renewed on satisfactory terms or at all.

Our Group has significant borrowings and therefore our Group's financial performance could be affected by general economic conditions and factors

Our Group has significant debt obligations under bank loans borrowed to finance project costs. As at October 31, 2009, our Group had total borrowing of approximately HK\$341 million and our gearing ratio (total debt to equity ratio) is 2,747%.

All existing borrowings of Daoyue are outstanding on variable interest rate terms under which interest rates will be adjusted according to market movements in interest rates. It has not been our Group's policy to hedge against movements in interest rates. Any significant increase in interest rates could have a significant adverse effect on our Group's earnings. Our Group's interest rate risk mainly relates to our cash at bank and our long term bank loan. A change in interest rates at the balance sheet date would have effect on the amount of our interest costs and income.

The existing borrowings of Daoyue are currently scheduled to be repaid over periods significantly shorter than the concession period for our Group's Sui-Yue Expressway (Hunan Section). Accordingly, this will reduce the availability of cash flow to fund working capital requirements, capital expenditures and other general corporate requirements.

Toll receipts may be affected by the integrity of our planned toll collection systems

The possibility exists for loss or reduction of revenue if the future controls on toll collection are inadequate to ensure that the correct tolls are collected and duly received by Daoyue from all relevant vehicles which are obliged to pay tolls.

According to our plan, the Sui-Yue Expressway (Hunan Section) will be a closed system expressway with computerised toll validation. The Sui-Yue Expressway (Hunan Section) will utilise computerised surveillance systems and strict cheques and balances will be in place to ensure staff accountability. There can be no assurance, however, that such controls and systems will remain adequate in the future and that toll receipts and consequently our Group's revenues and results of operation would not be adversely affected.

The future operation and profitability of the Sui-Yue Expressway (Hunan Section) project would depend on the completion and operation of the other sections of the Sui-Yue Expressway and other expressways connecting to it

The Sui-Yue Expressway (Hunan Section) will form part of the Sui-Yue Expressway and connect to the Yueyang-Rucheng Expressway, the Yueyang-Linwu Expressway and the Hangzhou-Ruili State Expressway (the "Other Expressways"). The other sections of the Sui-Yue Expressway and the Other Expressways are currently either under construction or planned to be built, and expected to be completed in the future ranged from 2009 to 2012, or longer. Please refer to the section headed "Business – Overview – The Sui-Yue Expressway" in this prospectus for the status of the construction of the other sections of the Sui-Yue Expressway and the Other Expressways.

Such other sections of the Sui-Yue Expressway and the Other Expressways are expected to enhance traffic volume of the Sui-Yue Expressway. If completion and operation of any of the other sections of the Sui-Yue Expressway and the Other Expressways fail to realize for any reason, the connectivity of the Sui-Yue Expressway (Hunan Section) will be reduced. In such case the demand and the vehicle turnover for the Sui-Yue Expressway (Hunan Section) may be adversely affected, and our business and operating results may be materially and adversely affected.

Our Company will be controlled by VIL, whose interests may differ from those of our Company's other shareholders

Immediately following the Share Offer (and assuming that the Over-allotment Option is not exercised) VIL will own a total of approximately 75% of our Company's issued share capital. This ownership percentage will enable VIL to elect our Company's entire board of directors without the concurrence of any of our Company's other shareholders. Accordingly, VIL will be in a position (subject to applicable Cayman Islands laws and regulations and relevant provisions of our Company's articles of association) to:

- control the policies, management and affairs of our Company;
- determine the timing and amount of dividend payments;
- adopt amendments to certain of the provisions of our Company's articles of association; and
- otherwise determine the outcome of most corporate actions, and, subject to the requirements of the Listing Rules, cause our Company to effect corporate transactions which do not require the approval of independent shareholders.

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

RISKS RELATING TO OUR SUI-YUE EXPRESSWAY (HUNAN SECTION) PROJECT

Amount of total investment for the project remains to be in place

The total estimated project investment for the Sui-Yue Expressway (Hunan Section) of approximately RMB1.717 billion will be financed by a combination of registered capital, bank loans and the net proceeds from the Share Offer.

For the purpose of meeting the total estimated project investment of approximately RMB1.717 billion, Good Sign and Huayu Investment have obtained the approval from the Hunan Provincial Commerce Department to (a) increase the amount of total investment of Daoyue from RMB600 million to RMB1.717 billion and (b) contribute a further RMB400.95 million to the registered capital of Daoyue, thereby increasing the registered capital of Daoyue from RMB200 million to RMB600.95 million. Pursuant to the approval, Good Sign and Huayu Investment shall contribute the additional registered capital of approximately RMB400.95 million in proportion to their respective shareholding in Daoyue (i.e. 90%:10%), and they shall contribute 20% of their respective proportion before obtaining the new business licence and the remaining 80% within two years after the issuance of the new business licence in compliance with the applicable laws and regulations. Good Sign and Huayu Investment have contributed 20% of the increased registered capital of Daoyue in August 2009 and such capital contributions have been duly verified by qualified PRC accountants in accordance with the PRC Company Law. Daoyue has obtained a new business licence on September 17, 2009. The balance of 80% of the increased registered capital of Daoyue is expected to be contributed by Good Sign and Huayu Investment within two years after the issuance of the new business licence.

Approximately RMB1.10 billion is intended to be financed by RMB denominated bank loans to be borrowed by Daoyue from China Merchants Bank. Further details concerning these financing arrangements are contained in relevant parts of the section headed "Future Plans and Use of Proceeds" in this prospectus.

We will make further capital contribution to Daoyue or secure further loan in the event that current financing arrangements turn out to be insufficient for the Sui-Yue Expressway (Hunan Section) project.

If there is insufficient financing for the Sui-Yue Expressway (Hunan Section) project, the construction of the expressway may need to be suspended or stopped.

Certain government approvals are outstanding for the project

We have been advised by our PRC Legal Advisers that, after the construction of the Sui-Yue Expressway (Hunan Section) is completed and before it could open to traffic, we will need to organize a delivery checking on the project and, after each section of the project passes the delivery checking, file a delivery checking report with the Hunan Transportation Department. If the Hunan Transportation Department has no objection on the report within 15 days after the filing, we can then carry out trial operation of the expressway for a period of two to three years, during which we can and shall operate the expressway as usual and collect toll receipts. The period for the trial operation shall be included in the concession period of 27 years. After the trial operation, we will apply for a completion checking with and obtain an acceptance certificate from the Hunan Transportation Department after passing the completion checking. Thereafter we will commence formal operation of the expressway, which is expected to be much the same as trial operation. Our PRC Legal Advisers have advised us that if we fail to pass the completion checking and obtain the acceptance certificate, the Sui-Yue Expressway (Hunan Section) could not be able to open to traffic officially and we may not be able to obtain the land use rights certificates in respect of the allocated land use rights for the construction of the Sui-Yue Expressway (Hunan Section).

There can be no assurance that (1) the Hunan Transportation Department will have no objection on our delivery checking report(s) and (2) the acceptance certificate will be obtained. If any of these risks materialises, it may or may not have an adverse effect on our Group's operations and/or financial position.

Apart from the above, we have been advised by our PRC Legal Advisers that all material approvals required at the current stage of the Sui-Yue Expressway (Hunan Section) project have been obtained from appropriate authorities.

Preparation-stage construction work was carried out prior to obtaining approval for commencement of construction work

We have carried out preparation-stage construction work on the Sui-Yue Expressway (Hunan Section) prior to obtaining the approval for commencement of construction work in September 2009. We may be deemed to have commenced construction prior to obtaining the approval for commencement of construction work for which, based on our PRC Legal Advisers, a penalty of 1% to 2% of the total amount of the construction contracts, that is, a penalty of approximately RMB6.92 million to RMB13.83 million, might be imposed. Our PRC Legal Advisers have advised us that the risk of such penalty is minimal as the approval for commencement of construction work has been obtained in September 2009 and, up to the Latest Practicable Date, we have not been ordered by any governmental authorities to pay the penalty.

Cost overruns and delays may adversely affect our Group's results of operations

Considerable capital expenditure is required for most road projects during the construction period and it generally takes several years for a project to be completed and to begin generating income. The construction period and the capital required to complete any given project may be affected by different factors, including shortages of construction materials, equipment and labour, bad weather conditions, natural disasters, disputes with workers or contractors, accidents, changes in government policies and other unforeseen difficulties or circumstances. Delay in completion of a particular project may result from any such events, resulting in cost overruns and loss of income. Significant delays and cost overruns in road construction may adversely affect the earnings and cashflow of a toll road operator.

We plan to complete the construction of the Sui-Yue Expressway (Hunan Section) by the end of 2011. However, notwithstanding fixed price construction contracts, the Sui-Yue Expressway (Hunan Section) may experience cost overruns or delays in its completion and any significant cost overruns or delays in completion of the Sui-Yue Expressway (Hunan Section) project may adversely affect the results of operations of our Group.

We rely on third-party contractors to provide construction services in respect of the Sui-Yue Expressway (Hunan Section)

We rely on third-party contractors to provide construction services in respect of the Sui-Yue Expressway (Hunan Section). We outsource all our construction activities pursuant to construction contracts with third-party contractors. We strive to ensure that the construction work is carried out on time, on budget and to specification by the third-party contractors. The construction contracts in relation to the construction of the main structure of the Sui-Yue Expressway (Hunan Section) were entered into on fixed price terms, adjustable according to the market price of the construction raw materials. All such construction contracts provide that any variation of the agreed work and the price for such variation must be approved by Daoyue, and that the cost of repairing any construction defects are to be borne by the relevant contractor during the relevant warranty period. To increase our protection, we will retain 5% of the construction price as quality assurance fee during the relevant warranty period. If the third-party contractors fail to repair any construction defects satisfactory during the relevant warranty period, we will use the quality assurance fee to repair the construction defects.

However, any failure by these third-party contractors to meet our quality, safety and environmental standards may result in our liabilities to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Any failure by these third-party contractors could also affect our compliance with government rules and regulations relating to the construction of the Sui-Yue Expressway (Hunan Section). Moreover, if we fail to retain our third-party contractors or obtain replacements on favorable terms or at all, our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

RISKS RELATING TO THE PRC TOLL ROAD SECTOR

The toll regime significantly impacts our Group's revenues and is regulated by government authorities

All toll rates for our Group's toll expressways are subject to the regulation of the relevant government authorities. Toll rates for the Sui-Yue Expressway (Hunan Section) require approval by the Hunan Provincial Government after the joint review and approval by the Hunan Provincial Price Bureau and Hunan Transportation Department. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to endusers. Daoyue can propose or apply for rate changes. However, there can be no assurance that the governmental authorities will approve a request to increase the toll rates in a timely manner or at all or that the governmental authorities will not at any time request a toll rate reduction. If the governmental authorities do not approve a request to increase the toll rates in a timely manner or at all or request a toll rate reduction, our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

Changes to the provincial government's transportation-related policies may impact our Group's revenues and earnings

Our Group's operations, along with those of other toll road operators in the PRC, are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways in the PRC. There is no assurance that changes in such policies would not have an adverse effect on the revenue or results of operations of our Group.

The imposition of restrictions or onerous requirements by governmental authorities could adversely affect our Group's project(s)

The entitlements of Daoyue to operate the Sui-Yue Expressway (Hunan Section) and to collect tolls once the Sui-Yue Expressway (Hunan Section) is completed and open to traffic depend on the concession approved by the Hunan Provincial Government. We have no reason to consider it likely that the terms of the concession will be altered at the instigation of governmental authorities without our Group's consent. However, there can be no assurance that such an event may not occur, and the imposition by governmental authorities of any onerous or adverse change to such arrangements could have an adverse effect on our Group's financial position and results of operations.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Economic, political and social conditions, as well as government policies, in the PRC could affect our Group's results of operations

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy and the PRC Government has been pursuing economic reform policies emphasising greater decentralisation and generally encouraging private economic activities.

Although we believe that the overall effect of the economic reforms adopted by the PRC Government on the economic development of the PRC has been positive, there can be no assurance that such measures, or other policies to be adopted in the future, will be effective or consistently applied. Furthermore, some of these measures/policies benefit the overall economy of the PRC, but may also have a negative impact on our Group. For example, our Group's results of operations and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to our Group.

The PRC legal system has inherent uncertainties that may limit the legal protections available to our Group

The PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. There remain, however, material differences between our Company, securities, investment and tax laws and regulations of the PRC and those of most Organisation for Economic Co-operation and Development ("OECD") countries. In addition, the PRC legal system is based on statutes, and court cases do not constitute binding precedents. As these laws, regulations and legal requirements are relatively new and because of the limited volume of published case law and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve uncertainties. These uncertainties could limit the legal protection or recourse available to our Group. Any litigation or regulatory enforcement actions in China may last for a long time and could result in substantial costs and diversion of resources and management attention.

Government control of currency conversion may adversely affect our Group's operations and financial results

Daoyue, the project company for the Sui-Yue Expressway (Hunan Section), will receive all of their revenues in Renminbi, which currently is not a fully convertible currency. A portion of these revenues must be converted into other currencies to meet Daoyue's own foreign currency obligations. These foreign currency-denominated obligations include but are not limited to payment of profit distributions to the foreign shareholder as and when such profit distributions are, or may be, resolved to be made.

Under the PRC's existing foreign exchange regulations, Daoyue will be able to undertake current account foreign exchange transactions, including profit distribution payments, without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that the PRC Government will not impose more onerous procedural requirements in the future. The PRC Government has stated publicly that it intends to make Renminbi fully convertible in the future. However, uncertainty exists as to whether the PRC Government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC.

Foreign exchange transactions of a capital nature, including foreign currency-denominated borrowings from foreign lenders and principal payments in respect of foreign currency-denominated obligations to both PRC and foreign lenders, continue to be subject to foreign exchange controls and require registration with and/or verification by SAFE. These limitations could affect the ability of Daoyue to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

Fluctuation of the Renminbi could materially affect our Group's financial condition and results of operations

Daoyue, the project company for the Sui-Yue Expressway (Hunan Section), will receive all of their revenues in Renminbi, and the financial statements and earnings of Daoyue are expressed in Renminbi. The value of Renminbi fluctuates and is subject to changes in political and economic conditions in the PRC. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on exchange rates set by the People's Bank of China, which are set daily based on the previous business day's weighted average price (加權平均價) of the foreign exchange adjustment market (外滙調劑市場). On July 21, 2005, the PRC Government changed its policy of pegging the value of the RMB to U.S. dollars and the RMB is permitted to fluctuate within a managed band against a basket of certain foreign currencies. Any changes in or removal of such managed float system may result in increased volatility and/or devaluation of the Renminbi. Since a substantial amount of our income and expenses are denominated in Renminbi, any fluctuations in the value of the Renminbi may adversely affect our cash flows, revenue, earnings and financial positions, and the values of, and any dividends payable on the Shares in foreign currency terms.

Our Company and other offshore holding companies of Daoyue may be treated as resident enterprises for PRC tax purposes under the new enterprise income tax law, which could result in the imposition of 25% PRC enterprise income tax payable on our taxable global income.

On March 16, 2007, the National People's Congress of the PRC passed the *Enterprise Income Tax Law of the PRC* (the "*Enterprise Income Tax Law*"), which took effect as of January 1, 2008. On December 6, 2007, the *Implementation Rules of Enterprise Income Tax Law of the PRC* were also enacted (the "*Implementation Rules*"), and took effect as of January 1, 2008. In accordance with the new laws and regulations, a unified enterprise income tax rate of 25% and unified tax deduction standards will be applied equally to both domestic enterprises and foreign-invested enterprises.

Under the Enterprise Income Tax Law, enterprises established under the laws of foreign jurisdictions other than the PRC may nevertheless be considered as PRC-resident enterprises for tax purposes if the actual institution of the management of these enterprises are located within the PRC. A substantial number of our Directors and the members of our senior management are domiciled in the PRC. Hence, our Company and other offshore holding companies of Daoyue may be considered PRC-resident enterprises pursuant to the Enterprise Income Tax Law and accordingly, our global income may be subject to the PRC enterprise income tax rate of 25%. In addition, although dividend payments between certain "qualified PRC-resident enterprises" shall be exempted from income tax under the Enterprise Income Tax Law, and the Implementation Rules refer to "qualified PRCresident enterprises" as enterprises with "direct equity interest", it remains unclear what the detailed qualification requirements for such exemption are, and whether dividends distributed by Daoyue to our Company and its other offshore holding companies will meet such qualification requirements and constitute dividend income between qualified resident enterprises which qualifies for tax exemption even if our Company and other offshore holding companies of Daoyue are considered PRC-resident enterprises for tax purposes. Our Company was incorporated on April 21, 2009, and hence could not incur any income tax or be considered a PRC resident enterprise for tax purposes in 2008. The other offshore holding companies of Daoyue had no taxable income in 2008, and could not incur any tax expenses even if they were considered as PRC resident enterprises for tax purposes.

Dividends payable by our Company to its foreign investors may become subject to taxes under PRC tax laws

The Enterprise Income Tax Law and the Implementation Rules provide that (i) if the enterprise that distributes the dividends is domiciled in the PRC, or (ii) if capital gains are realized from the transfer of equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income, and PRC income tax at the rate of up to 10% is applicable to such dividends or capital gains payable to investors that are "non-resident enterprises". Under the Implementation Rules, if our Company is considered a PRC-resident enterprise for tax purposes, any dividends distributed by our Company to our Company's non-resident Shareholders as well as gains realized by such Shareholders from the transfer of our Shares may be regarded as China-sourced income and as a result, may be subject to PRC withholding tax at the rate of up to 10%, depending on the provisions of tax treaty between China and the jurisdiction in which the non-resident shareholder resides.

If our Company is treated as a non-resident enterprise of PRC, dividends received from Daoyue may be subject to PRC withholding tax

The *Enterprise Income Tax Law* provides that an income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, and the State Council of the PRC has reduced such rate to be actually executed at 10% through the *Implementation Rules*, except otherwise provided in the tax treaties between PRC and other states or regions. Our Company is incorporated in the Cayman Islands and our business operations are principally conducted through Daoyue, our PRC subsidiary. If our Company is considered as a "non-resident enterprise" under the *Enterprise Income Tax Law* and the dividends paid to us by Daoyue are considered income sourced within China, then such dividends may be subject to the imposition of withholding tax at a rate of 10%.

Such withholding tax may be exempted or reduced by the State Council of the PRC or pursuant to a tax treaty between China and the jurisdiction in which the non-resident enterprise resides. For instance, the 10% withholding tax is reduced to 5% pursuant to the *Double Tax Avoidance Agreement Between Hong Kong and Mainland China* and the *Notice on Certain Issues on the Enforcement of Dividend Provisions in Tax Treaties* issued on February 20, 2009 by the State Administration of Taxation if the beneficial owner in Hong Kong owns more than 25% of the registered capital in a company in China for as long as 12 months before receiving dividends from the company in China. Our Company is a company incorporated in the Cayman Islands with a wholly-owned subsidiary incorporated in Hong Kong which in turn owns a 90% equity interest in Daoyue. Further, our Company derives substantially all the income from dividends received from its PRC subsidiary, Daoyue. If we declare dividends from such income, it is unclear whether the income will qualify to enjoy a reduced income tax rate of 5% under the *Double Tax Avoidance Agreement Between Hong Kong and Mainland China*.

As the *Enterprise Income Tax Law* and the *Implementation Rules* have only been in effect from January 1, 2008, it is uncertain as to how these laws and regulations would be implemented by the relevant PRC tax authorities. If dividend payments from Daoyue to our Company are subject to PRC withholding tax, our Company's financial condition, results of operations and the amount of such dividends available for distribution to our Shareholders may be adversely affected. If our Company's dividend payments to our Company's non-resident Shareholders are subject to PRC withholding tax, it may materially and adversely affect our Shareholders' return on and value of investment in our Company.

The preferential tax treatment applicable to Sui-Yue Expressway (Hunan Section) project may not be granted or continue

In order to encourage the construction of public infrastructure, certain toll road operators, including Daoyue, may be entitled to enjoy a preferential tax treatment (see the section headed "Business — Taxation" in this prospectus). However, no assurance can be given that the current policies in the PRC with respect to such preferential tax treatment will not be abolished or unfavorably amended, or that the approval for such preferential tax treatment will be granted to Daoyue in a timely manner, or at all.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against, our Directors or our senior management members who reside in the PRC

Substantially all of our operating assets, officers and Directors are located in the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgements of courts located in the United States, the United Kingdom, Singapore, Japan and most other Western countries. An Arrangement between the Mainland and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the parties Concerned was executed on July 14, 2006. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms and droughts. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our facilities, other parts of the Sui-Yue Expressway, or other roads connecting to the Sui-Yue Expressway (Hunan Section). The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

In addition, certain Asian countries, including the PRC, have encountered epidemics such as SARS, or incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu, influenza A(H1N1) (swine flu) or any other similar epidemic could cause a slowdown in the levels of economic activity generally.

Pursuant to the Concession Agreement, the Hunan Transportation Department agreed that Daoyue has the right to claim that it shall not be liable for failure to complete the construction of the Sui-Yue Expressway (Hunan Section) on time, or failure to perform its obligations in the Concession Agreement, if such failure is a result of an event of force majeure. Further, if Daoyue and the department can no longer perform the Concession Agreement due to the occurrence of any event of force majeure, the parties may negotiate and terminate the Concession Agreement before the expiry of the concession period, and the department may withdraw the concession and grant a reasonable economic compensation to Daoyue.

Although the impact against us as a result of any event of force majeure may be alleviated by the relevant provisions of the Concession Agreement, our business, revenue, financial condition and results of operations may be materially and adversely affected if such event occurs.

We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase

The Standing Committee of the National People's Congress adopted the PRC Labor Contract Law on June 29, 2007 which became effective on January 1, 2008. The PRC Labor Contract Law imposes requirements relating to, among others, the types of contracts to be executed between employer and employee, and establishes time limits for probation periods and provides for how long and how many times an employee can be placed on a fixed-term employment contract. It also requires that social insurance be paid on behalf of employees, otherwise employees are entitled to unilaterally terminate the labor contract.

As a result of the new law and regulations, our labor costs may increase. If labor costs increase in China, our costs will increase and we may not be able to pass these increases on to our customers (after our Siu-Yue Expressway (Hunan Section) is completed and open to traffic). We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

RISKS RELATING TO THE SHARE OFFER

The liquidity and price of the Shares following the Share Offer may be volatile

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our Company's revenues, earnings and cashflows, fluctuations in traffic volume and toll rates to fluctuations in prices for comparable companies could cause the price of the Shares to change. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that these developments will not occur in the future. In addition, as no public market for the Shares existed prior to the Share Offer, there can be no assurance that a liquid public market for the Shares will develop or be sustained after the Share Offer.

Future sales of substantial amounts of the Shares in the public market could adversely affect the price of the Shares

The Shares held by VIL, the substantial shareholder of our Company, are currently subject to certain lock-up restrictions which will expire falling 12 months after the Listing Date. While we are not aware of any plans by VIL to dispose of significant amounts of Shares, we cannot provide any assurance that it will not dispose of any Shares it may own now or in the future. Sales of substantial amounts of Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing price of the Shares.

Certain statistics are derived from publications not independently verified by our Group, the Underwriters or their respective advisors

Facts and statistics in this prospectus relating to the PRC's economy and its transportation sector are derived from available publications. Whilst the Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by our Company, the Underwriters or their respective advisors and, therefore, our Company makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In connection with the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations and Sui-Yue Expressway (Hunan Section), the expressway project in which we are engaged, are located in China, our Directors and the members of our senior management are and will therefore be expected to continue to be based in China. At present, only Mr. Chan, one of our executive Directors, and Mr. Sin Ka Man, our company secretary, are ordinarily resident in Hong Kong. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

We have received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Sin Ka Man, our company secretary, and Mr. Chan, an executive Director, who are both ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of the two authorised representatives has been duly authorised to communicate with the Stock Exchange on our behalf;
- (b) We appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our communication channel with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) Both the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (a) all Directors (including the executive Directors and the independent non-executive Directors) will provide his or her mobile phone number, residential phone number, fax number and e-mail address to the authorised representatives; (b) all Directors (including the executive Directors and independent non-executive Directors) will provide valid phone numbers or means of communication to the authorised representatives when he or she is traveling; and (c) all Directors (including the executive Directors and the independent non-executive Directors), the authorised representatives and our Company secretary of our Company will provide his or her mobile phone number, residential phone number, office phone number, fax number and e-mail address to the Stock Exchange; and
- (d) All executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that either they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules under the SFO and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON PUBLIC OFFER

The Share Offer comprises the Placing and the Public Offer. Details of the structure of the Share Offer are set out in the section headed "Structure of the Share Offer" in this prospectus. This prospectus and the related Application Forms set out the terms and conditions of the Public Offer. The Share Offer is sponsored by Mizuho Securities Asia Limited, which is also the bookrunner and the lead manager of the Share Offer.

Subject to the terms of each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For particulars of the Public Offer Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before December 17, 2009, or such later date as may be agreed between the Bookrunner (for itself and on behalf of the Underwriters) and our Company but in any event not later than December 21, 2009.

If the Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.

SELLING RESTRICTIONS

No action has been taken to permit an offering of the Public Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Bookrunner and the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All Shares issued and to be issued as mentioned in this prospectus will be registered on our Hong Kong branch register of members to be maintained in Hong Kong. We will maintain our principal register of members at our registered office in the Cayman Islands.

The sale, purchase and transfer of, and dealings in, Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK\$ in respect of Shares will be paid to the Shareholders on our Hong Kong branch register of members, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult your professional advisers.

None of our Company, the Directors, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters and any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from, the subscription for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Bookrunner or any person acting for it may over-allot or effect transactions with a view to stablising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Bookrunner or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

In connection with the Share Offer, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, which will be exercisable in full or in part by Mizuho on behalf of the Placing Underwriters from time to time during the period commencing on the Listing Date and ending on the 30th day from the last day of lodging applications under the Public Offer. Pursuant to the Over-allotment Option, Mizuho will have the right to require our Company to issue at the Offer Price up to 15,000,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer, solely for the purpose of covering over-allocation in the Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed "Structure of the Share Offer — Over-allotment Option and "Structure of the Share Offer - Stabilisation" in this prospectus.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under the section headed "How to Apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions and the Over-allotment Option, are set out under the section headed "Structure of the Share Offer" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about December 23, 2009. Shares will be traded in board lots of 2,000 Shares each.

The stock code for the Shares is 1823.

Our Company will not issue any temporary documents of title. Dealings in the Shares on the Main Board will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Chan Yeung Nam(陳陽南) (Formerly known as Chan Yeung Nam(陳洋南))	Flat 1B, Block 10 Sea Crest Villa New Territories Hong Kong	Chinese
Mai Qing Quan(麥慶泉)	No. 401, Unit 1 No. 1084 Cuizhu Road Luohu District, Shenzhen Guangdong Province, PRC	Chinese
Chen Kai Shu (陳開樹)	No. 401, Building 3 No. 11 Yard Donghu One Street, Aiguo Road Luohu District, Shenzhen Guangdong Province, PRC	Chinese
Fu Jie Pin(符捷頻)	15F, Building 96 Meilin One Village Futian District, Shenzhen Guangdong Province, PRC	Chinese
Chen Min Yong(陳民勇)	No. 604, Building 8, Fu Rong Yuan Jinxiujiangnan, Longhua Town Baoan District, Shenzhen Guangdong Province, PRC	Chinese
Zhang Bo Qing(張博慶)	No. 602, Unit 1, Building 1 221 Cheliangchangqian Street Xinhua District, Shijiazhuang City Hebei Province, PRC	Chinese

Name	Address	Nationality	
Executive Directors (Continued)			
Yue Feng(岳峰) (Formerly known as Yue Zong Dai (岳宗岱))	13B, Building 3A, Yiyouyuan Huangpuyayuan Futian District, Shenzhen Guangdong Province, PRC	Chinese	
Mao Hui(毛惠)	No. 903, Building A Jiatianyayuan, Xianghu Road Furong District, Changsha Hunan Province, PRC	Chinese	
Independent non-executive Directors			
Sun Xiao Nian(孫小年) (Formerly known as Sun Xiao Nian(孫曉年))	No. 704, Unit 3, 7/F, Guanshanyuan Shijicheng Haidian District, Beijing, PRC	Chinese	
Chu Kin Wang, Peleus (朱健宏)	Flat 1001, 10/F, Block D Galaxia, 3 Lung Poon Street Diamond Hill, Kowloon Hong Kong	Chinese	
Hu Lie Ge (胡列格)	No. 305, Building 6 No. 82 Ziyuan Road Yuhua District, Changsha Hunan Province, PRC	Chinese	

Sponsor, Bookrunner and Lead Manager Mizuho Securities Asia Limited

12th Floor, Chater House 8 Connaught Road Central

Hong Kong

Public Offer Underwriters Mizuho Securities Asia Limited

12th Floor, Chater House 8 Connaught Road Central

Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block

Grand Millennium Plaza 181 Queen's Road Central

Hong Kong

Phillip Securities (Hong Kong) Limited

11/F, United Centre 95 Queensway Hong Kong

Placing Underwriters Mizuho Securities Asia Limited

12th Floor, Chater House 8 Connaught Road Central

Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block

Grand Millennium Plaza 181 Queen's Road Central

Hong Kong

CIMB Securities (HK) Limited

25/F, Central Tower 28 Queen's Road Central

Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square

Central, Hong Kong

KGI Capital Asia Limited

41/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong

Goldin Equities Limited

20/F, York House The Landmark 15 Queen's Road Central Hong Kong

Phoenix Capital Securities Limited

2/F, SBI Centre 54-58 Des Voeux Road Central Hong Kong

Legal advisers to our Company

As to Hong Kong Law

Orrick, Herrington & Sutcliffe

43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

As to PRC Law

Global Law Office

15/F., Tower 1 China Central Place No. 81 Jianguo Road Beijing 100025, China

As to Cayman Islands and BVI laws

Conyers Dill & Pearman

2901, One Exchange Square 8 Connanght Place Central Hong Kong

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong Law

Bird & Bird

33/F, Three Pacific Place 1 Queen's Road East

Hong Kong

As to PRC Law

Commerce & Finance Law Offices

6F NCI Tower

A12 Jianguomenwai Avenue

Chaoyang District Beijing 100022, China

Reporting Accountants

KPMG

Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road, Central

Hong Kong

Traffic Consultant

Parsons Brinckerhoff (Asia) Limited

7/F, One Kowloon 1 Wang Yuen Street Kowloon Bay Hong Kong

Valuer

Jones Lang LaSalle Sallmanns Limited

17/F., Dorset House 979 King's Road Quarry Bay Hong Kong

Receiving Bankers

Industrial and Commercial Bank of China (Asia)

Limited

33rd Floor, ICBC Tower

3 Garden Road Central, Hong Kong

Wing Lung Bank Limited

Wing Lung Bank Building

45 Des Voeux Road Central, Hong Kong

CORPORATE INFORMATION

Registered office Cricket Square

Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Headquarters in the PRC Flat A, on Level 17, Block 1

Prince Palace Garden North Station Road Changsha City Hunan Province

The PRC

Principal place of business in Hong Kong Unit No. 1802 on 18/F of West Tower

Shun Tak Centre

Nos. 168-200 Connaught Road Central

Hong Kong

Company's website www.huayu.com.hk

(information contained in this website does not

form part of the prospectus)

Company secretary Sin Ka Man HKICPA, FCCA

Authorised representatives Chan Yeung Nam

Flat 1B, Block 10 Sea Crest Villa New Territories Hong Kong

Sin Ka Man Flat A, 9th Floor Kingston Heights Belair Gardens

Shatin

New Territories Hong Kong

Audit committee Chu Kin Wang, Peleus *(chairman)*

Hu Lie Ge Sun Xiao Nian

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Unless otherwise indicated, the information in the section below has been derived, in part, from various official government publications. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, officers or representatives, or any other party involved in the Share Offer and no representation is given as to its accuracy.

INDUSTRY OVERVIEW

1. THE ECONOMY OF CHINA AND HUNAN PROVINCE

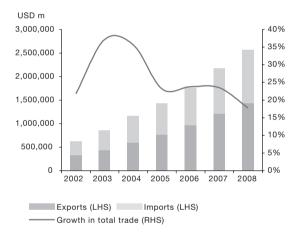
Hunan, strategically located in central China with connectivity to all directions, is a major resources and product interchange centre and transport hub in China. According to "Opinions of the CPC Central Committee and the State Council on the Promotion of the Rise of the Central Region" (Zhong Fa No.10 (2006)) (《中共中央國務院關於促進中部地區崛起的 若干意見》(中發[2006]10號)), by carrying out strategies to promote the rise of the central region, the State clearly requested to develop the central region of China into major "three bases and one hub" of the country, namely stable food production base, energy and raw materials base, high-tech industry and modern equipment manufacturing base, and integrated transport hub. At the same time, according to "the Notice by the National Development and Reform Commission on Approving Wuhan City Circle and Changsha, Zhuzhou and Xiangtan Urban Agglomeration to be the Country's Energy-saving and Environmentally Friendly Pilot Area of Comprehensive Coordinated Reform on Social Construction", the [2007]3428 Fa Gai Jing Ti document (發改經體 [2007]3428號《國家發展改革委關於批准武漢城市圈和長株 潭城市群為全國資源節約型和環境友好型社會建設綜合配套改革試驗區的通知》) issued by the National Development and Reform Commission ("NDRC"), the State Council approved the development of Changsha, Zhuzhou and Xiangtan Urban Agglomeration into the country's energy-saving and environmentally friendly pilot area of comprehensive coordinated reform on social construction. According to CEIC, the gross domestic product ("GDP") of Hunan Province was approximately RMB1,115.7 billion in 2008. In real terms, the GDP of Hunan Province grew at a rate of approximately 12.8% in 2008, as compared to 14.5% in 2007. The rapid growing district economy created a favourable operating environment for the enterprises in the area

Growth of Real GDP of China

RMB bn 35,000 14% 30,000 12% 25,000 10% 20,000 8% 15,000 6% 10,000 4% 5,000 0 2002 2003 2004 2005 2006 2007 2008 -Real GDP growth (RHS)

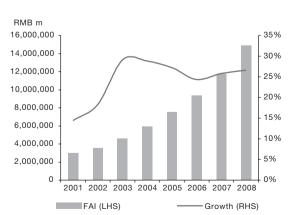
Sources: CEIC

Import/Export of China



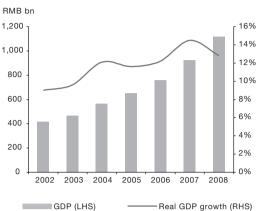
Sources: CEIC

Fixed Asset Investment ("FAI") in China



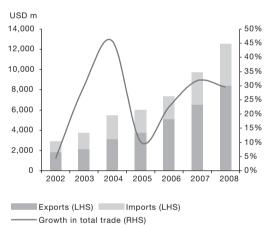
Sources: CEIC

Growth of Real GDP of Hunan Province



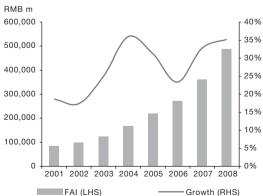
Sources: CEIC

Import/Export of Hunan Province



Sources: CEIC

FAI in Hunan Province



2. THE PASSENGER AND CARGO THROUGHPUT BY ROAD TRAFFIC IN CHINA AND HUNAN PROVINCE

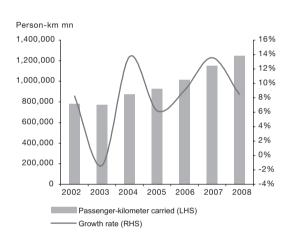
The cargo throughput by road traffic (社會公路貨運量) is the key driver for the development of expressways. According to CEIC, the cargo throughput by road traffic (貨物發送量) in Hunan Province reached approximately 987.6 million tonnes in 2008, representing an increase of approximately 15.6% over that of last year; and the passenger throughput by road traffic (旅客發送量) reached approximately 1.24 billion persons in 2008, representing an increase of approximately 6.4% over that of last year. The snowstorm in 2008 had certain adverse impact on the passenger and cargo throughput by road traffic.

Passenger Throughput in China

Person mn 30,000 35% 30% 25 000 25% 20.000 20% 15,000 15% 10% 10.000 5% 5,000 n% 0 2004 2005 2006 Passenger carried (LHS) = Growth rate (RHS)

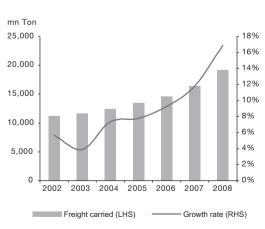
Sources: CEIC

Passenger Turnover in China



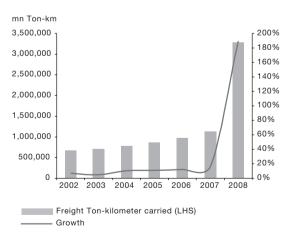
Sources: CEIC

Cargo Throughput in China



Sources: CEIC

Cargo Turnover in China

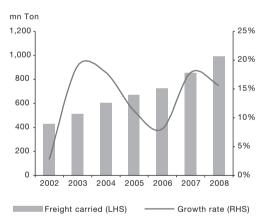


Passenger Throughput in Hunan Province

Person mn 1,400 12% 10% 1,200 8% 1,000 800 600 400 0% 200 -2% 2004 2005 2006 2007 Passenger carried (LHS) — -Growth rate (RHS)

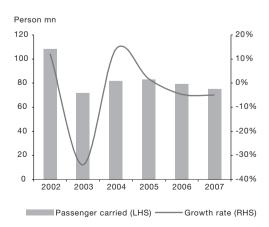
Sources: CEIC

Cargo Throughput in Hunan Province



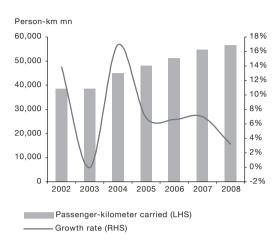
Sources: CEIC

Passenger Throughput in Yueyang



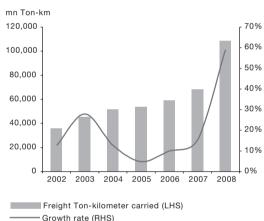
Sources: CEIC

Passenger Turnover in Hunan Province



Sources: CEIC

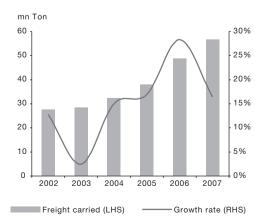
Cargo Turnover in Hunan Province



Growth rate (RHS)

Sources: CEIC

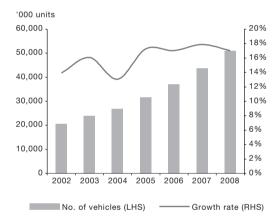
Cargo Throughput in Yueyang



3. THE VOLUME OF POSSESSION OF MOTOR VEHICLES IN CHINA AND HUNAN PROVINCE

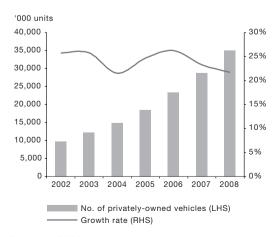
The volume of possession of civil motor vehicles (民用車輛擁有量) in Hunan Province sustained continuous growth with sustained and rapid growth of national economy in the province. According to CEIC, as at the end of 2008, the volume of possession of civil motor vehicles in Hunan Province reached approximately 1.34 million, representing an increase of approximately 22.0% over 2007, which was higher than that of 17.0% in the country, and a year-on-year increase of approximately 242,000 in volume. Similarly, in 2008, the volume of possession of private motor vehicles (私人車輛擁有量) in Hunan Province reached approximately 936,000, representing an increase of 26.2% over 2007, which was higher than that of 21.7% in the country, and a year-on-year increase of approximately 194,000 in volume. The substantial increase in the volume of possession of motor vehicles laid the foundation for the growth in motor vehicles passage revenue in Hunan Province.

Volume of Possession of Civil Motor Vehicles in China



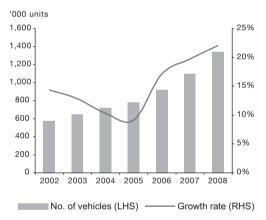
Sources: CEIC

Volume of Possession of Private Motor Vehicles in China



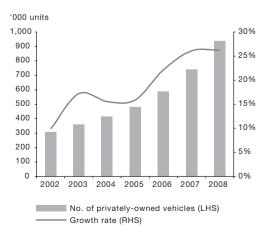
Sources: CEIC

Volume of Possession of Civil Motor Vehicles in Hunan Province



Sources: CEIC

Volume of Possession of Private Motor Vehicles in Hunan Province



4. THE CLASSIFICATION OF HIGHWAY IN CHINA

According to "Technical Standards on Highway Engineering" (《公路工程技術標準》) (JTG B01-2003) issued by the MOC, highways are categorised in the following five classes based on their functions and accommodated transport volumes:

- 1. Expressway: a bi-directional, divided multi-lane road with full access control for vehicles. A four-lane expressway should accommodate a transport volume of between 25,000 to 55,000 cars (converted from various motor vehicles) per day on average throughout the year; a six-lane expressway should accommodate a transport volume of between 45,000 to 80,000 cars (converted from various motor vehicles) per day on average throughout the year; and a eight-lane expressway should accommodate a transport volume of between 60,000 to 100,000 cars (converted from various motor vehicles) per day on average throughout the year.
- 2. Class I Road: a bi-directional, divided multi-lane road with access control depending on the needs for vehicles. A four-lane class I road should accommodate a transport volume of between 15,000 to 30,000 cars (converted from various motor vehicles) per day on average throughout the year; and a six-lane class I road should accommodate a transport volume of between 25,000 to 55,000 cars (converted from various motor vehicles) per day on average throughout the year.
- 3. Class II Road: a two-lane road for vehicles. A two-lane class II road should accommodate a transport volume of between 5,000 to 15,000 cars (converted from various motor vehicles) per day on average throughout the year.
- 4. Class III Road: a two-lane road mainly for vehicles. A two-lane class III road should accommodate a transport volume of between 2,000 to 6,000 cars (converted from various motor vehicles) per day on average throughout the year.
- 5. Class IV Road: a two-lane or single-lane road mainly for vehicles. A class IV road should accommodate a transport volume of not more than 2,000 cars (converted from various motor vehicles) with respect to two-lane road and not more than 400 cars (converted from various motor vehicles) with respect to single-lane road per day on average throughout the year.

5. HIGHWAY CONSTRUCTION IN CHINA AND HUNAN PROVINCE

According to "Highway and Waterway Transport 'Eleventh Five-Year' Development Planning", by 2010 (《公路水路交通「十一五」發展規劃》), the framework of the state expressway network will be substantially formed with further improvement in technology on state and provincial trunk roads and the substantial completion of 8 inter-provincial highway passages in the western development zone.

The target for development during the Eleventh-Five Year period is to speed up the construction of the state expressway network with a focus on a total of 14 routes under planning, five of which are radiated from Beijing to Shanghai, from Beijing to Taibei (excluding the Taiwan Strait passage), from Beijing to Hong Kong and Macau, from Beijing to Harbin, and from Beijing to Kunming; two are vertical from Shenyang to Haikou (excluding Qiongzhou Strait passage) and from Baotou to Maoming; seven are horizontal from Qingdao to Yinchuan, from Nanjing to Luoyang, from Shanghai to Xi'an (excluding the Yangtze River passage from Chongming to Qidong), from Shanghai to Chongqing, from Shanghai to Kunming, from Fuzhou to Yinchuan, and from Guangzhou to Kunming. The expressway network in the eastern region will substantially be formed with comprehensive inter-city expressway network formed in the Yangtze River Delta, the Pearl River Delta, and Beijing-Tianjin-Hebei area; a comprehensive trunk road network will substantially be completed in the central region with connection of expressway passages linking east, west, north and south; breakthrough will be achieved for construction of highways in the western region, linking the region to the outside and reaching rivers and seas. Besides, the expansion and transformation of highways with heavy traffic built earlier will be speeded up.

Projection of "Eleventh Five-Year" Highway Transport Demand

Indicator	Unit	2005	2010	Average annual growth rate(%)
passenger				
throughput	billion persons	17.0	24	7.1
passenger				
turnover	billion person-km	929.2	1500	10.1
cargo throughput	billion tonnes	13.4	16	3.6
cargo turnover	billion tonnes-km	869.3	1200	6.7

Sources: "Highway and Waterway Transport 'Eleventh Five-Year' Development Planning"

Targets for "Eleventh Five-Year" Highway Construction

Indicator	Unit	2005	2010	Increase during the "Eleventh Five- Year" period
Total mileage of				
highway networks	thousand miles	1930	2300	37
Expressway mileage	thousand miles	41	65	2.4
Class II or above				
roads mileage	thousand miles	326	450	12.4
County and				
village highways	thousand miles	1476	1800	32.4

Sources: "Highway and Waterway Transport 'Eleventh Five-Year' Development Planning"

As regards the central region in China, the focus will be on reinforcing expressways, Yangtze Golden Waterway and other main passages and hubs and the development of transport in the central region will be speeded up based on the philosophy of "reinforced passages, comprehensive networks, highlighted hubs and attention on services". The priority is given to construction of state expressways which connect the eastern, central and western regions, link provincial and regional central cities, and stretches to major transport hubs and energy production bases and key tourist attractions.

As regards Hunan Province, during the "Eleventh Five-Year" period, the total planned construction of state and provincial trunk roads in the province (excluding expressways) is 6,968km (6,000km is confirmed completed with an investment of RMB29.2 billion), of which 232km is class I roads, 5,743km class II roads, 930km class III roads, 63km class IV roads, and newly built bridges of 18,958 extended metres. The total investment in the planned construction is RMB32.5 billion.

According to the "Eleventh Five-Year Plan on Reconstruction of National and Provincial Trunk Highways in Hunan Province" (湖南省"十一五"國省幹線公路改建規劃), by the end of 2010, the total mileage of state and provincial trunk roads in Hunan Province is projected to reach 16,180 km, of which 3,500 km is expressways, 460 km class I roads, 9,845 km class II roads, 1,000 km class III roads, 1,135 km class IV roads, and 240 km other roads. The proportion of state and provincial trunk roads which are class II roads and above is expected to increase from approximately 46.9% at the end of 2005 to approximately 85.3%, and counties (cities, districts) in the province are expected to be connected by class II or above roads.

The western line from Changsha to Xiangtan and the highway from Liling to Xiangtan were officially opened to traffic on February 6 and October 19, 2007 respectively. The expressways from Shaoyang to Huaihua in Hunan Province, and from Huaihua to Xinhuang were officially opened to traffic on November 10 which marked that the entire 534.7 km of Shanghai-Kunming Expressway (Hunan Section) was connected. The said four sections of expressways made an additional traffic mileage of 362 km, making the total expressway traffic mileage in Hunan Province to reach 1,765 km.

There were 18 new expressway construction projects commenced in Hunan Province in 2008, namely Yong-Lan, Sui-Yue, Heng-Yue, Yan-Mu, An-Shao, Yiyang-Raocheng, Xia-Rong, Lou-Xin, Ji-Huai, Chang-Liu, Zhang-Hua, Feng-Chang, Yue-Chang, Chang-An, Yueyang-Xiangtan, Hengyang-Linwu, Huaihua-Tongdao expressways. A record high planned investment of RMB19.35 billion in expressways was realised in Hunan Province for the year, representing an increase of approximately 73.96% over 2007.

Status of new expressway construction projects commenced in Hunan Province in 2008

	Project name	Approximate total investment (RMB billion)	Commencement Date	Approximate mileage (km)	Starting and ending points
1	Er-Guang Expressway,	10.8	2008-5-28	145	Yongzhou- Lanshan
	Yongzhou- Lanshan				
2	Sui-Yue Expressway (Hunan Section)	1.7	2008-6-15	24	Daorenji- Kunshan
3	Hengyang-Nanyue (Dayuandu)	2.5	2008-6-15	52	Hengyang- Nanyue
4	Yanling-Mucun	1.1	2008-6-15	18	Yanling-Mucun
5	Er-Guang Expressway, Anhua-Shaoyang	8.5	2008-7-30	131	Anhua- Shaoyang
6	Yiyang High Speed Ring	1.6	2008-7-30	40	Xinfengcun- Qingshan Temple
7	Xia-Rong Expressway (Hunan Section)	19.7	2008-8-31	308	Rucheng- Daoxian
8	Loudi-Xinhua	6.1	2008-8-31	96	Loudi-Xinhua
9	Bao-Mao Expressway, Jishou-Huaihua	8.8	2008-9-26	105	Jishou- Huaihua
10	Daoxian-Hezhou	2.4	2008-9-27	51	Daoxian- Yongjiting

	Project name	Approximate total investment (RMB billion)	Commencement Date	Approximate mileage (km)	Starting and ending points
11	Changsha-Liuyang	4.0	2008-10-31	65	Changsha- Liuyang
12	Zhangjiajie-Huayuan	12.1	2008-10-31	147	Zhangjiajie- Huayuan
13	Er-guang Expressway, Fengxian-Changde	8.3	2008-11-28	130	Fengxian- Changde
14	Hang-Rui Expressway, Yueyang -changde	10.3	2008-11-28	141	Yueyang- Changde
15	Er-Guang Expressway, Changde-Anhua	5.8	2008-11-28	95	Changde- Anhua
16	Beijing-Zhuhai Repeated Line, Yueyang-Xiangtan	13.1	2008-12-30	174	Yueyang- Xiangtan
17	Beijing-Zhuhai Repeated Line, Hengyang-Linwu	15	2008-12-30	202	Hengyang- Linwu
18	Bao-Mao Expressway, Huaihua-Tongdao	15.6	2008-12-30	198	Huaihua- Tongdao
Total		147.4		2,122	

Sources: the Hunan Transportation Department and the Company

There were 14 projects planned to commence in Hunan Province in 2009, including Yanling sub-junction to Yanling County, Xinhua to Shupu, Shupu to Huaihua, Jing-Gang-Ao State Expressway Changsha Connecting Line, Changsha High Speed Ring North-east Section and South-east Section, Yueyang to Pingjiang (Huangnijie), Pingjiang (Huangnijie) to Liling, Liling to Yiuxian, Yanling to Rucheng, Liuyang to Tieshu'ao, Jiehualong (Xiangganjie) to Chaling, Fenghuang to Daxing, Dongkou to Xinning, Linxiang (Dajie) to Yueyang, etc. The scale of construction is 1,012 km and the planned investment is RMB75 billion. According to Hunan Transportation Department, as at January 2009, the traffic mileage of expressways in Hunan Province exceeded 2,000 km with 2,781 km mileage and 28 projects under construction.

Status of new expressway construction projects commenced in Hunan Province in 2009

	Project name	Approximate scale of construction (km)	Approximate total investment (RMB billion)
1	Yanling sub-junction to Yanling County	13	1
2	Xinhua to Shupu	92	6.5
3	Shupu to Huaihua	93	7
4	Jing-Gang-Ao State Expressway		
	Changsha Connecting Line	5	0.5
5	Changsha High Speed Ring		
	North-east Section and South-east Section	26	1.5
6	Yueyang to Pingjiang (Huangnijie)	108	8.6
7	Pingjiang (Huangnijie) to Liling	101	6.8
8	Liling to Yiuxian	102	6.7
9	Yanling to Rucheng	150	11.5
10	Liuyang to Tieshu'ao	80	5.8
11	Jiehualong (Xiangganjie) to Chaling	46	2.8
12	Fenghuang to Daxing	30	1.6
13	Dongkou to Xinning	92	5.5
14	Linxiang (Dajie) to Yueyang	74	9.2
	Total	1,012	75

Sources: the Hunan Transportation Department

Expressway Network in Hunan Province



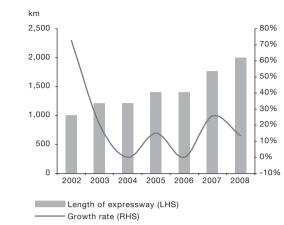
(Please refer to the names of the expressways and the source on next page)

Names of expressways referred to in the map on the previous page

1.	Dong-Chang Expressway	25.	Tan-Heng West Expressway
2.	Yue-Chang Expressway	26.	Tan-Shao Expressway
	(Hangzhou-Ruili State	27.	Heng-Shao Expressway
	Expressway	28.	Huai-Xin Expressway
	(Yueyang-	29.	Huai-Tong Expressway
	Changde Section))	30.	Shao-Huai Expressway
3.	Sui-Yue Expressway	31.	Shao-Yong Expressway
	(Hunan Section)	32.	Heng-Zao Expressway
4.	Yi-Chang Expressway	33.	Heng-Da Expressway
5.	Zhang-Hua Expressway	34.	Heng-Yan Expressway
6.	Chang Ji Expressway	35.	Yong-Lan Expressway
	(Hangzhou-Ruili State	36.	Heng-Lin Expressway
	Expressway	37.	Lei-Yi Expressway
	(Changde-Jishou Section))	38.	Ning-Dao Expressway
7.	Chang-Mei Expressway	39.	Chen-Ning Expressway
8.	Yue-Chang Expressway	40.	Ru-Chen Expressway
9.	Lin-Chang Expressway	41.	Yi-Feng Expressway
10.	Rao-Cheng Expressway	42.	Yueyang-Dajie Expressway
11.	Chang-Yong Expressway	43.	Liu-Tie Expressway
12.	Chang-Liu Expressway	44.	Cha-Jie Expressway
13.	Airport Expressway	45.	Yan-Mu Expressway
14.	Chang-Tan Expressway	46.	Yan-Ru Expressway
15.	Chang-Zhu Expressway	47.	Dong-Xin Expressway
16.	Li-Tan Expressway	48.	Phoenix-Daxing Expressway
17.	Chang-Yi Expressway	49.	Xinhua-Xupu, Xupu-Huaihua
18.	Chang-Tan West Expressway		Expressway
19.	Ji-Cha Expressway	50.	Yue-Liu Expressway
20.	Ji-Huai Expressway	51.	Liuyang-Youxian Expressway
21.	Lou-Xin Expressway	52.	Heng-Yue Expressway
22.	Mei-Shao Expressway		
23.	Tan-Shao Expressway		
24.	Tan-Lei Expressway		

Source: The information contained in the map above has been derived, in part, from (1) the feasibility study report on the Sui-Yue Expressway (Hunan Section) prepared by the Hunan Provincial Communications Planning, Surveying And Designing Institute in February 2007, (2) official government information including the Hunan Provincial Expressway Network Planning 2006 issued by the Hunan Provincial Government and (3) other sources available from the internet (including governmental, expressway industry, online encyclopedia and news websites). Our Directors have taken reasonable care to the reproduction of such information and believe that such information is reliable.

Traffic Mileage of Expressways in Hunan Province



Sources: CEIC

6. HUNAN PROVINCIAL EXPRESSWAY PLANNING

According to Hunan Provincial Expressway Network Planning (《湖南省高速公路網規劃》) (the "Planning") formulated by the Hunan Transportation Department in 2006, the structure and objective of Hunan Provincial expressway network are to form an expressway network that links east and west horizontally and south and north vertically, covers the entire province with connection to peripheral areas, with appropriate density, efficiency and convenience. The specific objectives are as follows:

- 1. Connecting Changsha, the capital city with other 13 cities, constructing express passages from Changsha to the external places such that daily return journeys from Changsha to the other 13 cities are possible and adjacent cities are directly connected by expressways.
- 2. Connecting surrounding provinces to form inter-provincial expressway passages such that it only takes one day to travel from Changsha to capital cities of adjacent provinces.
- 3. Connecting transport hubs such as important highways, railways, major ports and airport to form a high speed distribution highway network and to establish a comprehensive and modern integrated transport system in Hunan Province.
- 4. Connecting famous tourist destinations in the province to guarantee convenient, safe and comfortable transport for tourism development in Hunan Province.
- 5. Forming a fast and smooth expressway network covering the entire province such that more than 90% of the province's towns (cities at county level and city districts) can access expressways within 30 minutes.

The structure of Hunan Provincial expressway network can be simply defined as an expressway network with five vertical lines and seven horizontal lines, the total scale of which is approximately 5,615 km, of which 2,530 km is vertical lines, 2,705 km horizontal lines and 380 km other expressways. The following table shows the specific routes of Hunan Provincial expressway network planning.

	App	oroximate				
	Name of route	mileage (km)	Major control points			
I	Vertical lines	2,530	Net of repeated mileage of 24 km			
First vertical	Yueyang (Xiangerjie) to Rucheng (xiangyuejie)	523	(Suizhou), Yueyang, Pingyang, Liuyang, Liling, Youxian, Chaling, Yanling, Guidong, Rucheng, (Shenzhen)			
Second vertical	Jing-Gang-Ao state expressway (Hunan Section)	532	(Wuhan), Lixiang, Yueyang, Changsha, Xiangtan, Hengyang, Changning, Leiyang, Chenzhou, YIzhang, (Guangzhou)			
Third vertical	Yueyang (Xiangerjie) to Linwu (xiangyuejie) (Jing-Gang-Ao repeated line)	505	(Wuhan), Yueyang, Miluo, Changsha, Xiangtan, Hengyang, Guiyang, Linwu, (Guangzhou)			
Fourth vertical	Erlianhaote to Guangzhou state expressway (Hunan Section)	613	(Jingzhou), Fengxian, Changde, Lianyuan, Shaoyang, Yongzhou, Niyuan, Lanshan, (Changzhou)			
Fifth vertical	Baotou to Maoming state expressway (Hunan Section)	581	(Chongqing), Huayuan, Jishou, Fenghuang, Huaihua, Jingzhou, Tongdao, (Guilin)			

II	Horizontal lines	2,705	Net of repeated mileage of 54 km
First horizontal	Hangzhou to Ruili state expressway (Hunan Section)	532	(Chibi), Yueyang, Anxiang, Changde, Yuanling, Jishou, Fenghuang
Second horizontal	Liuyang (Xiangyuejie) to Huayuan (Xiangyujie)	659	(Tonggu), Liuyang, Changsha, Yiyang, Changde, Cili, Zhangjiajie, Yongshun, Huayuan, (Chongqing)
Third horizontal	Loudi to Huaihua	245	Loudi, Lianyuan, Xinhua, Shupu, Huaihua
Fourth horizontal	Shanghai to Kunming state expressway (Hunan Section)	553	(Pingxiang), Liling, Zhuzhou, Xiangtan, Xiangxiang, Shasoyang, Dongkou, Huaihua, Zhijiang, Xinhuang, (Guiyang)
Fifth horizontal	Hengyang (Dapu) to Shaoyang	159	Hengyang, Shaodong, Shaoyang
Sixth horizontal	Quanzhou to Nanning state expressway (Hunan Section)	308	(Ji'an), Chaling, Hengdong Hengyang, Youzhou, (Guiling)
Seventh horizontal	Xiamen to Chengdu state expressway (Hunan Section)	303	(Ganzhou), Rucheng, Chenzhou, Guiyang, Jiahe, Ninyuan, Daoxian, (Guiling)

III	Other expressways	380	Net of repeated mileage of 35 km
1	Zhuzhou to Yijiawan	23	Zhuzhou, Xiangtan
2	Changsha High Speed Ring	78	Changsha
3	Changsha Airport Expressway	17	Changsha, Huanghua Airport
4	Changsha to Zhuzhou	37	Changsha, Zhuzhou
5	Xiangshao Expressway,		
	Shaoshan conncected to Shaoshan	11	Shaoshan
6	Liuyang to Hongkoujie (xiangganjie)	35	Liuyang
7	Hengyang to Nanyue (Dayuandu)	54	Hengyang, Nanyue
8	Yiyang South High Speed Ring	40	Yiyang
9	Yizhang to Fengtouling (Xiangyuejie)	48	YIzhang
10	Yanling to Mucun (Xiangganjie)	16	Yanling
11	Daoxian to Yongjiting (Xiangguijie)	56	Daoxian

Total 5,615

7. BASIC STATUS OF HIGHWAYS IN CHINA IN 2007

Total mileage		Expressway		(Class II and above		Proportion of total mileage attributable to class II and above				
Rank	App Province	mileage (km)	Rank	Appi Province	oximate mileage (km)	Rank	App Province	oroximate mileage (km)	Rank	Province	0/0
	Total	3,583,715		Total	53,913		Total	380,419		Total	10.62
1	Henan	238,676	1	Henan	4,556	1	Shandong	34,222	1	Shanghai	32.85
2	Shandong	212,237	2	Jiangsu	4,033	2	Guangdong	30,756	2	Tijin	30.38
3	Yunnan	200,333	3	Guangdong	3,558	3	Henan	29,448	3	JIangsu	22.02
4	Hubei	189,395	4	Shandong	3,518	4	Jiangsu	28,028	4	Beijing	20.21
5	Guangdong	183,780	5	Zhejiang	2,853	5	Hebei	20,660	5	Liaonin	19.06
6	Hunan	182,005		÷			÷			÷	
			16	Hunan	1,768	20	Hunan	8,329	28	Hunan	4.75

Sources: the Hunan Transportation Department

Proportion of total mileage attributable to class roads		Proportion of class II or above roads among state and provincial roads		Cement and asphalt road surface			Sand and stone road surface				
Rank	Province	9/0	Rank	Province	%	Rank	App Province	proximate mileage (km)	Rank	Ap Province	proximate mileage (km)
	Total	70.75		Total	67.25		Total	1,776,499		Total	1,807,217
1	Shanghai	100.00	1	Jiangsu	97.31	1	Shandong	180,730	1	Yunnan	165,208
2	Tianjin	99.91	2	Shanghai	95.67	2	Henan	142,165	2	Hunan	118,618
3	Beijing	98.94	3	Shandong	93.76	3	Hebei	106,054	3	Henan	98,597
4	Shandong	97.87	4	Hubei	93.55	4	Guangdong	102,771	4	Heilongjia	ing 97,135
5	Ningxia :	92.20	5	Tianjin :	90.62	5	Jiangsu	98,578	5	Hubei	96,511
30	Hunan	45.04	25	Hunan	50.63	11	Hunan	67,769			

Sources: the Hunan Transportation Department

REGULATORY OVERVIEW

The PRC Regulations on Highway Construction and Toll Highway Business

The construction, survey, design and operation of highways in the PRC are subject to the supervision and administration of the relevant government authorities, primarily in aspects such as qualifications of the entities undertaking the construction, survey and design work, project tendering, quality, safety, checking for the completion of engineering works, as well as the environmental protection.

Highway Regulatory Authorities

The NDRC is responsible for the overall investment plan of the major highways as defined in the relevant regulations. The investment plan of other highway projects shall be reviewed and approved by the provincial branches of the NDRC.

The MOT is responsible for the overall construction plan and administration on the construction of the major highway projects as determined by the MOT. At a local level, the departments of communications are in charge of highway construction projects within their administrative areas.

Responsibility for setting and regulating highway toll rates, toll terms and toll stations rests with the provincial governments and/or the relevant provincial departments of price, finance, and communications.

The Sui-Yue Expressway (Hunan Section) is entirely within the territory of Hunan province and is a private-funded operational expressway. Therefore, it is subject to the highway investment plan of Hunan Provincial Development and Reform Commission, and the highway construction plan and administration of Hunan Transportation Department. Hunan Provincial Expressway Administration Bureau is responsible for the industrial administration on expressway projects. The setting of toll stations, toll term shall be subject to the approval of Hunan Provincial Government, while the toll rates and any adjustment thereof shall be approved by Hunan Provincial Government after the joint examination of Hunan Provincial Bureau of Price and the Hunan Transportation Department.

Highway Regulations

Basic Law

The basic law within the PRC legal regime applicable to the highway business is the PRC Highway Law (中華人民共和國公路法) adopted on July 3, 1997, as amended in 1999 and in 2004 separately. Planning, construction, maintenance, management, use and administration of roads within the borders of the PRC, including highway bridges, highway tunnels and highway crossings, shall comply with the requirements of the Highway Law.

Development of roads has been assigned great significance by the PRC government and highway construction shall be brought into the national economic and social development plan, following the principles of complete planning, rational distribution, assured quality, guaranteed unimpeded passage, environmental protection, and equal emphasis on construction, improvement and maintenance.

The PRC government encourages domestic and foreign investors to invest in highway construction. According to the Highway Law, all roads are protected by the State and no individual or entity shall destroy or damage roads or illegally occupy roads, land or facilities used for roads. Investors shall establish a special purpose project company with legal person status for each highway, and the project company shall be responsible for the construction, operation and management of the highway in accordance with the relevant laws and regulations. The project companies are allowed to raise funds through issue of shares and corporate bonds, subject to approval of the relevant governmental authorities.

Roads in the PRC are divided into national roads (國道), provincial roads (省道), county roads (縣道) and township roads (鄉道) in terms of their significance in the national highway network; and also divided into expressways (高速公路), first grade roads (一級公路), second grade roads (二級公路), third grade roads (三級公路) and fourth grade roads (四級公路) according to the level of their technology standards.

Construction of roads shall be carried out in accordance with the infrastructure construction procedures provided in laws and regulations and the project companies shall obtain approvals, licenses and permits for construction of roads from the departments in charge of communications above county level. Feasibility study work, survey and design work, construction work and project supervision shall be undertaken only by such companies or entities holding necessary qualification certificates required by laws and regulations.

Regulations on Call for Tender and Submission of Bids

In accordance with the Tender Law of the PRC (《中華人民共和國招標投標法》) which took effect on January 1, 2000, a call for tender is required for all aspects of the project (including its construction, reconnaissance, design and supervision) relating to social and public benefits and security, such as large-scale infrastructure and public utilities projects in the PRC.

In line with the specific standards provided in the Measures of Hunan Province on the Implementation of the Tender Law (《湖南省實施《中華人民共和國招標投標法》辦法》) effective on January 1, 2002, Sui-Yue Expressway (Hunan Section) project, with its total investment exceeding RMB10,000,000 and the estimated price of every single reconnaissance, design or supervisory contract up to RMB 300,000, shall be subject to tenders with respects to its construction, purchase of major equipments and materials, reconnaissance, design and supervision works. Daoyue has duly completed the tenders for civil work construction and supervisory works for the project, and relevant tender documents have been filed for record with the Hunan Transportation Department. As the project proceeds, Daoyue will organize tenders for the other stages of the project and file the tender documents with the Hunan Transportation Department in compliance with the relevant regulations.

Regulations on the Procedure of Highway Construction

According to the Measures of Supervision and Administration on the Highway Construction (the "Highway Construction Measures"《公路建設監督管理辦法》) promulgated by the MOT which took effect on August 1, 2006, the construction of an enterprise-invested highway shall proceed following the steps below:

- (1) compiling the feasibility study report of the project in accordance with the highway planning;
- (2) selecting the investor of the project through tender;
- (3) compiling the application of the project by the investor and submit the application to the examination and approval department for approval;
- (4) compiling the preliminary design documents in accordance with the approved application of the project, and submitting those concerning public interest and safety or compulsory standards for project construction to the competent department of communications for examination and approval;

- (5) compiling the construction design documents according to the preliminary design documents;
- (6) conducting tenders for the project according to the approved construction design documents as approved;
- (7) carrying out pre-construction preparing works such as land expropriation and applying for the approval for commencement of construction work with the competent department of communications;
- (8) organizing the project construction in compliance with the project approval for commencement of construction work;
- (9) after the project is completed, compiling the completion documents, completing the final accounting of the project and financial settlement of the project completion, as well as the delivery checking and completion checking of the project;
- (10) organizing post project evaluation after the project passes the completion checking.

As at the Latest Practicable Date, we have duly passed through the above procedures (1) to (7) in full compliance with the relevant laws and regulations.

Regulations on the Safety and Quality of Highway Construction

Under the Regulations of the Supervision on the Quality of Highway Projects (《公路工程質量監督規定》) and the Regulations of the Supervision on the Safety of Construction of Highway and Waterway of Hunan Province (《湖南省公路水運工程施工安全監督管理辦法》) effective on June 1, 2005 and June 23, 2006 respectively, the project company of a highway construction project should apply for the supervision on the quality and safety of the project construction within 30 days before applying for the approval for commencement of construction work. Before the delivery checking, the quality supervision authorities shall examine the quality of the project and issue an quality examination opinion. Before the completion checking, the quality supervision authorities shall review and appraise the quality of the project and issue a quality appraisal report. Only after passing the quality appraisal could a highway be put into the completion checking.

We have applied for the supervision on the safety and quality of the construction of the Sui-Yue Expressway (Hunan Section) project with the Hunan Quality Supervision Station of Transport Construction (湖南省交通建設質量監督站). On August 17, 2009, the Hunan Quality Supervision Station of Transport Construction issued a quality and safety supervision letter to us, which confirms that the Sui-Yue Expressway (Hunan Section) project is in compliance with the infrastructure construction procedure and the Hunan Quality Supervision Station of Transport Construction agreed to supervise the quality and safety of the Sui-Yue Expressway (Hunan Section) project in accordance with the relevant regulations.

We will cooperate closely with the relevant authorities to facilitate the supervision work and take the supervisory advices to ensure the quality and safety of the construction.

Regulations on Completion (Delivery) Checking

According to the Measures of Completion (Delivery) Checking of Highway Construction (《公路 工程竣(交)工驗收辦法》) effective on October 1, 2004 and the Highway Construction Measures, upon completion of a highway project, the highway shall be put into operation only after duly being examined and checked by the relevant communications authorities. Construction checking of a highway project is divided into delivery checking and completion checking. Delivery checking shall be organized by the project company which shall, after each section of the project passes the delivery checking, compile a delivery checking report to be filed with the competent department of communications for record. If the communications department has no objection on the report within 15 days after the filing, the highway can be put into trial operation. After the first two years of trial operation, the project company shall apply for completion checking, passing which the highway could be put into regular operation.

After the construction of the Sui-Yue Expressway (Hunan Section) is completed, we will duly organize a delivery checking on the project, passing which we will carry out trial operation of the expressway. After the trial operation, we will apply for a completion checking on the project with the Hunan Transportation Department. We will construct the expressway in full compliance with the relevant regulations and standards so to ensure that we could pass the delivery checking and completion checking and the expressway could open to traffic in due course.

Regulations on Toll Highway Business

Toll Collection and Setting up Toll Collection Stations

Pursuant to the Regulations on the Administration of Toll Roads (the "Toll Roads Regulations"《收費公路管理條例》) effective on November 1, 2004, the MOT requirements for toll roads include:

- consecutive mileage no less than 30 km for expressway, except for the expressway linking the urban areas of a city to the local airport;
- consecutive mileage no less than 50 km for first grade highway;
- mileage no less than 800 m for bridge or tunnel with two lanes, or 500 m for bridge or tunnel with four lanes.

Operators of roads of or lower than the second grade shall not be approved to collect tolls. But tolls may be collected upon approval according to law on the secondary highway whose consecutive mileage is more than 60 km, and which is constructed by the provinces, autonomous regions, and municipalities directly under the Central Government in the middle and western areas as determined by the State. The right of the operator of a toll highway includes the right to collect tolls, operate the advertisements along the highway and operate the service facilities along the highway.

Under the Toll Roads Regulations, roads constructed by the competent communications department of the people's government above the county level through making use of loans or raising funds with compensation from enterprises or individuals are referred to as "the roads whose loans are repaid by the government", whereas roads constructed with the investment of domestic or foreign economic organizations, and roads whose loans are repaid by the government and toll rights are transferred to domestic or foreign economic organizations in accordance with the Highway Law, are collectively referred to as "the operational roads". The Sui-Yue Expressway (Hunan Section) shall fall within the category of operational roads.

The set-up of toll collection stations on the highway shall be examined and approved by the provincial government pursuant to the following requirements:

- for expressways and other closed type highways, collection stations may be set up only at the entrance and exit of the highway, except that the collection station is necessary to be set up at the connection points between provinces;
- the distance between two collection stations on open type highways shall not be less than 50 km.

The term of toll collection shall also be approved by the provincial government. For operational roads, the terms shall not be longer than 25 years, except for those of operational roads in central and western provinces designated by the State Council which shall not exceed 30 years.

The standard of tolls and any adjustment thereof for operational roads shall be approved by the provincial governments after the joint review and approval by the provincial departments of communications and price.

According to the Concession Agreement, the concession period of Sui-Yue Expressway (Hunan Section) is 27 years excluding the construction period. Hunan Transportation Department should assist us to obtain the approval of toll collection from the People's Government of Hunan Province and the License of Charge from the Hunan Provincial Price Bureau within 30 days before the project delivery. The setting, increase and relocation of toll stations should be approved by the People's Government of Hunan Province and Hunan Transportation Department. We will abide by the Concession Agreement as well as the relevant laws and regulations in terms of the toll period, toll standard and setting of toll stations. After we obtain the approval of toll collection and the License of Charge, we will collect tolls with respect to the expressway in compliance with these documents.

Pledge of Toll Collection Right

In accordance with the PRC Property Law, the Measures on the Pledge Registration for Receivable Account, the Interpretation on Several Issues in Application of the Guaranty Law (《最高人民法院關於適用《中華人民共和國擔保法》若干問題的解釋》) issued by the PRC Supreme People's Court as well as an approval letter issued to the MOT and People's Bank of China by the State Council (《國務院關於收費公路項目貸款擔保問題的批復》) dated April 26, 1999, a toll collection right may be pledged to secure debt. The pledgor and pledgee shall sign written pledge agreement and the pledge shall take effect upon registration with the Credit Reference Center of the People's Bank of China.

According to the loan agreement we entered into with China Merchants Bank on April 30, 2009, the toll right of Sui-Yue Expressway (Hunan Section) shall be pledged to secure the loan and relevant interests thereunder. We shall sign a separate pledge agreement with China Merchants Bank once the toll right is officially granted by the relevant authorities, and we will duly register the pledge with the relevant authority.

Transfer of Toll Collection Right

Pursuant to the Measures on the Transfer of Rights to Toll Roads (《收費公路權益轉讓辦法》) promulgated by the MOT, the NDRC and the Ministry of Finance on August 20, 2008 and effective from October 1, 2008, the rights to toll roads, including the toll collection right, advertising right and right of operating the service facilities, are allowed but strictly limited to be transferred. Only when the roads meet the technical grade and scale provided under the Toll Roads Regulations may the toll collection right thereupon be transferred. In addition, the toll collection right shall not be transferred if the highway is an isolated bridge or tunnel with a length of less than 1000 meters, or is a second grade highway, or when more than 2/3 of the total fee collection period thereof has expired.

Land Development Issues

Pursuant to the PRC Land Administration Law (《中華人民共和國土地管理法》) promulgated on June 25, 1986 and amended on August 28, 2004, land use rights for purposes of construction of urban infrastructure, public welfare undertaking and transportation infrastructure given priority in aid by the State shall be obtained through allocation given the approval of government above the county level. According to the Measures on the Land Registration of Hunan Province (《湖南省土地登記辦法》) effective on January 8, 1997, project companies of projects utilizing the state land through allocation shall apply for the registration of land use rights within 30 days after the completion checking of the projects.

Except for the 1.2918 hectares of land used for the construction of toll stations and service area, the rights to land used for the construction of the Sui-Yue Expressway (Hunan Section) are acquired through allocation, therefore the relevant certificates of the allocated land use rights could not be obtained until the project is completed. The construction of the Sui-Yue Expressway (Hunan Section) is expected to be completed by the end of 2011. We will submit an application for registration of our allocated land use rights after the completion checking of the expressway.

A small portion of the land use rights (approximately 1.2918 hectares) for the construction of toll stations and the service area will be acquired by us through payment of use fee (有償使用). We have duly paid up the aggregate use fee for such portion of land of RMB488,884 on October 29, 2009 and will enter into land grant contract with the government authority. Our PRC Legal Advisers have advised us that there is no legal impediment for us to obtain the land use rights certificates with respect to such 1.2918 hectares of land. We expect to obtain the land use rights certificates with respect to such 1.2918 hectares of land at the same time when we obtain the land use rights certificates with respect to the allocated construction land.

Environment Protection

According to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and the Measures on the Administration of Environmental Protection of Transport Construction Projects (《交通建設項目環境保護管理辦法》) issued on May 13, 2003, the project company of a highway construction project shall compile an environmental impact assessment report on the project and, after the preliminary examination of the department of communications at the corresponding level, submit the report to the department of environmental protection for approval. After the approval, if there is any significant change or delay of construction of the project, a revised report should be submitted for the examination and approval of relevant departments all over again. After the completion of the construction, the project company shall apply for a completion checking on the environmental protection facilities with the department of environmental protection and report to the department of communications. Only after the environmental protection facilities are found qualified after the completion cheque could the project be put into operation.

Based on the original dual two-lane standards of the Sui-Yue Expressway (Hunan Section), we have duly compiled the environmental impact assessment report and obtained the approval of the report from the Hunan Provincial Environmental Protection Bureau. As the number of the lanes of the expressway has been approved to change to dual three-lane, we have commissioned the Research Institute of Highway of the MOT (交通部公路科學研究所) to compile a revised report to be submitted for the review and approval of the Hunan Provincial Environmental Protection Bureau. We have obtained the approval on the revised report from the Hunan Provincial Environmental Protection Bureau in November 2009.

Tax

On March 16, 2007, the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) was promulgated with effect from January 1, 2008 which adopted a uniform tax rate of 25% for domestic and foreign-invested enterprises. Under the current PRC tax laws and regulations, profit arising from the investment and operation of highways above the first grade which are approved for construction by the investment authorities above the province level may enjoy, subject to approval from or filing with the relevant taxation authorities, a three year exemption from, to be followed by a three year 50% reduction in the rate of, enterprise income tax, commencing from the first income-receiving year.

The Sui-Yue Expressway (Hunan Section) is a highway of above the first grade and was approved for construction by the Hunan Provincial Development and Reform Commission. Therefore we believe we are qualified to enjoy the above income tax preferential treatment. We will apply or file for such preferential treatment with competent tax bureaus after we gain the first sum of income from operation of the expressway.

According to the Notice on the Business Tax Policy for Toll Income of Highway Operating Companies (《財政部、國家税務總局關於公路經營企業車輛通行費收入營業税政策的通知》), the business tax levied on the operators of toll roads with respect to the vehicle toll income was reduced to 3% from 5% since June 1, 2005. Therefore, we are subject to the business tax at the rate of 3% with respect to all the toll income.

Pursuant to the Provisional Regulations on the Farmland Occupation Tax (《中華人民共和國耕地 佔用税暫行條例》) promulgated on December 1, 2007, the Farmland Occupation Tax leviable on operators of highways occupying the farmlands shall be reduced to RMB 2 Yuan Per square meters. We have fully and timely paid the farmland occupation tax in respect of the farmland occupied by Sui-Yue Expressway (Hunan Section).

Foreign currency exchange

Pursuant to the Foreign Currency Administration Rules (《中華人民共和國外滙管理條例》) promulgated on January 29, 1996 and amended on August 1, 2008, Renminbi is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of RMB into a foreign currency, and remittance of the foreign currency outside the PRC.

Dividend Distribution

The principal laws governing dividends payable by PRC operating subsidiaries include the Company Law of the PRC (《中華人民共和國公司法》), as amended in 2005 and the Law on Chinese-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), as amended in 2001. Under these laws, PRC subsidiaries, including foreign-invested enterprises and domestic companies in China, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Pursuant to the Law on Chinese-Foreign Equity Joint Ventures of the PRC and its implementation regulations, Chinese-foreign equity joint ventures such as Daoyue, shall distribute dividends after setting aside a certain amount of their after-tax profit based on proportions determined by their board to their reserve fund, employee bonus and welfare fund, and enterprise development fund. According to a notice issued by the PRC Ministry of Finance and effective on April, 2006, enterprises are no longer required to retain the public welfare fund, including the employee bonus and welfare fund.

INTRODUCTION

Our Group is a project company in the infrastructure sector in China. Its primary business is to invest, build, operate and manage infrastructure projects in China. At present, our Group's only project is the Sui-Yue Expressway (Hunan Section) (隨州至岳陽高速公路湖南段), which is a dual three-lane expressway with a planned length of approximately 24.08 km. The Sui-Yue Expressway (Hunan Section) is currently under construction and is planned to be completed by the end of 2011. Our Group will operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the concession period is 27 years (excluding the construction period). Our Group participates in such project through our 90% equity interest in Daoyue, which has an exclusive right to build and operate the Sui-Yue Expressway (Hunan Section) for a term of 27 years (excluding the construction period) pursuant to the Concession Agreement.

HISTORY AND DEVELOPMENT

Huayu Investment was established on July 22, 1993. It commenced investment, development and operation of toll expressways in Shenzhen in 1999. Since 1994, Mr. Chan has been the legal representative and director of Huayu Investment. For further details of Huayu Investment's interests and involvement in other toll road projects, please refer to the section headed "Relationship with Ultimate Controlling Shareholder" in this prospectus.

Taking advantage of its experience and expertise in the investment, development and operation of toll expressway projects, Huayu Investment began to explore opportunities for expressway projects outside Shenzhen. On October 23, 2004, Huayu Investment and the Hunan Transportation Department, acting under the authorisation of the People's Government of Hunan Province, entered into the Initial Concession Agreement pursuant to which Huayu Investment was granted the exclusive right to invest and build the Sui-Yue Expressway (Hunan Section), together with the exclusive right to operate and maintain such expressway upon completion of construction for a term of 25 years (excluding the construction period). The Sui-Yue Expressway (Hunan Section) is a section of the Sui-Yue Expressway which shall link the Hunan and Hubei provinces with a bridge crossing over the Yangtze River. The People's Government of the Hunan Province has approved the Initial Concession Agreement pursuant to an approval document Xiang Zheng Han [2004] No. 252 (湘政国 [2004]252 號) dated October 8, 2004.

Daoyue, the project company for the Sui-Yue Expressway (Hunan Section), was established on December 22, 2006 and, pursuant to the provisions of the Initial Concession Agreement, has the same rights and obligations of Huayu Investment under the Initial Concession Agreement. For further information, see the section headed "Business – The Sui-Yue Expressway (Hunan Section) - Project Concession" in this prospects. At the time of its establishment, Daoyue had a registered capital of RMB50 million and was held as to 60% by Huayu Investment and the remaining 40% was held by Jinfeng for the benefit of Mr. Chan pursuant to a trust agreement between Jinfeng and Mr. Chan dated March 8, 2006. Our PRC Legal Advisers have advised that this trust arrangement is enforceable between Jinfeng and Mr. Chan. Mr. Chan, through various entities beneficially owned or controlled by him, has a controlling beneficial interest of 90.67% in Huayu Investment.

On October 11, 2007, Jinfeng transferred its 40% equity interest in Daoyue to Huayu Investment for a consideration of RMB20 million, which was equal to the registered capital initially contributed by Jinfeng. A new business licence was issued by the Changsha Administration for Industry and Commerce ("CSAIC") on November 12, 2007. Upon completion of such transfer, Daoyue became a wholly-owned subsidiary of Huayu Investment.

On May 20, 2008, the shareholder of Daoyue passed a resolution to change its name from Hunan Daoyue Expressway Co., Ltd. (湖南道岳高速公路有限公司) to Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司) and to increase its registered capital from RMB50 million to RMB100 million. A new business licence was issued by the CSAIC on May 22, 2008.

On January 4, 2009, the shareholder of Daoyue passed a resolution to further increase its registered capital from RMB100 million to RMB200 million. A new business licence was issued by the CASIC on January 9, 2009.

On executing the Reorganisation, discussions were held for the transfer of interest in Daoyue. The Hunan Transportation Department was not comfortable for Huayu Investment to transfer all of its interest to a foreign entity as the Sui-Yue Expressway (Hunan Section) is a major project and, as our Directors believe, it is common for PRC authorities to have a perception of better governance over domestic entities in the PRC. After due consideration, it was decided that Huayu Investment holds 10% interest in Daoyue and remains as the substantial shareholder of Daoyue. We were able to convince the Hunan Transportation Department that the transfer of interest in Daoyue, with Huayu Investment retaining some interest in Daoyue, will not result in any disadvantages for the Sui-Yue Expressway (Hunan Section) project. On March 17, 2009, Huayu Investment transferred its 90% equity interest in Daoyue to Good Sign for a consideration of RMB180 million. The consideration of RMB180 million was determined by making reference to an asset valuation report prepared by an independent valuer and was fully paid by Good Sign to Huayu Investment on July 7, 2009. A certificate of approval for establishment of enterprises with investment of Taiwan, Hongkong, Macao and overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准 証書) was issued by the Hunan Provincial Government on March 17, 2009. A new business licence was issued by CASIC on April 13, 2009. If the Hunan Transportation Department has no objection to the transfer of equity interest by Huayu Investment in the future, Huayu Investment may consider to transfer further equity interest in Daoyue to our Group to reduce its equity interest in Daoyue to less than 10%. Currently, Huayu Investment has no intention to transfer its equity interest in Daoyue to any Independent Third Party.

On July 3, 2009, Daoyue obtained the approval from the Hunan Provincial Commerce Department (湖南省商務廳) to increase its registered capital from RMB200 million to RMB600.95 million. A certificate of approval for establishment of enterprises with investment of Taiwan, Hongkong, Macao and overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准証書) was issued by the Hunan Provincial Government on July 6, 2009.

In order to streamline Daoyue's rights under the concession, Daoyue and the Hunan Transportation Department entered into the Concession Agreement on November 24, 2009 pursuant to which Daoyue is expressly and exclusively granted the concession right of 27 years (excluding construction period) to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section). The Initial Concession Agreement was terminated on November 24, 2009 when the Concession Agreement became valid and effective.

Daoyue is the only Group company established in the PRC. Our PRC Legal Advisers have advised that the establishment, the various transfers of interests and the increase in registered capital in Daoyue as described above complied with all applicable laws and regulations in the PRC, and that, save as the increase of the registered capital of Daoyue from RMB200 million to RMB600.95 million, all the registered capital and the increased registered capital (as the case may be) of Daoyue have been fully paid up in the required manner and within the required timeframe.

CORPORATE REORGANISATION

Our Company is the holding company of our Group, which includes Daoyue, our principal operating subsidiary. In preparation of the Listing, our Group underwent the Reorganisation which primarily involved the following steps:—

- (a) acquisition of 90% equity interest in Daoyue by our Group from Huayu Investment; and
- (b) establishment of our offshore shareholding structure.

A brief description of the steps involved in the Reorganisation are set out below. Please also refer to the section headed "Statutory and General Information — B. Corporate Reorganisation" in Appendix VII to this Prospectus.

On April 13, 2009, Good Sign, a wholly-owned subsidiary of Top Talent and an indirect wholly-owned subsidiary of VIL at that time, acquired 90% equity interest in Daoyue from Huayu Investment for a consideration of RMB180 million.

Our Company was incorporated as an exempted company in the Cayman Islands on April 21, 2009. At the time of its incorporation, our Company was wholly-owned by Codan Trust Company (Cayman) Limited. On April 21, 2009, VIL acquired from Codan Trust Company (Cayman) Limited one Share of HK\$0.01 in the share capital of our Company, which represented its entire issued share capital at that time, at its par value.

On May 29, 2009, Top Talent, a wholly-owned subsidiary of VIL at that time, acquired from Fameluxe Investment Limited one share of HK\$1.00 in Bright Regent, which was held by Fameluxe Investment Limited in favour of Top Talent pursuant to a declaration of trust dated May 4, 2006, at nil consideration.

On November 30, 2009, in consideration of VIL transferring its entire interest of Top Talent to our Company, our Company issued and alloted an additional 299,999,999 new Shares to VIL.

On December 7, 2009, Mr. Chan, our Company, Top Talent, Good Sign and Bright Regent entered into a deed of assignment, 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 our Company.

In addition, several personnel of Huayu Investment who have previously been involved as members of the management team of Daoyue, that is, Mr. Chen Min Yong, Mr. Zhang Bo Qing, Mr. Chen Jing An, Mr. Gan Xian Hui, Ms. Mao Hui and Ms. Liu Dan Yi, have officially joined Daoyue as employees and have each signed an employment contract with Daoyue accordingly. Apart from the construction of the Sui-Yue Expressway (Hunan Section), Daoyue is not involved or interested in any other projects or companies relating to the construction and/or management of toll roads in which Huayu Investment has an interest. For further details of Huayu Investment's interests and involvement in other toll road projects, please refer to the section headed "Relationship with Ultimate Controlling Shareholder" in this Prospectus.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

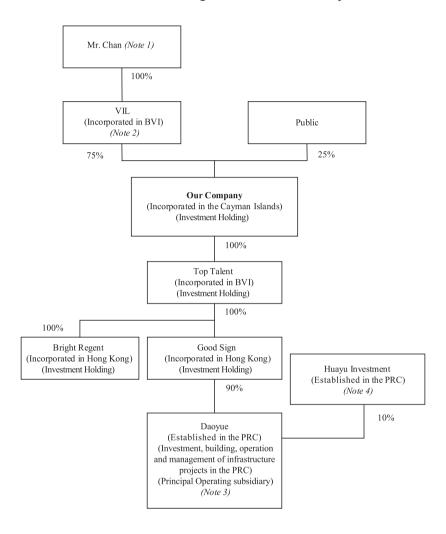
The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Provisions") was promulgated on August 8, 2006 and amended on June 22, 2009. The M&A Provisions require that an offshore special purpose vehicle (特殊目的公司) formed for listing purposes and controlled directly or indirectly by PRC companies or individuals using its shares to acquire an equity interest in a PRC company shall obtain the approval of the China Securities Regulatory Commission prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. We have been advised by our PRC Legal Advisers that, as Mr. Chan is a permanent Hong Kong resident, our Company does not constitute a special purpose vehicle as defined under the M&A Provisions. Therefore, the listing of our Company is not subject to the M&A Provisions, and does not require the permission, approval, or consent of the China Securities Regulatory Commission. Our PRC Legal Advisers have also advised us that, unless there are any rules promulgated in the future expressly providing otherwise, it is unlikely that the M&A Provisions will be considered by the relevant PRC authorities to be applicable to the listing of our Company.

SAFE REGISTRATION

On October 21, 2005, the SAFE promulgated The Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及 返程投資外匯管理有關問題的通知) (the "SAFE Notice"), which became effective on November 1, 2005. According to the SAFE Notice, special purpose vehicle (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose vehicle, PRC domestic residents must complete the overseas investment foreign exchange registration procedures with the relevant local branches of SAFE. Our PRC Legal Advisers have advised us that, as Mr. Chan has been a permanent resident of Hong Kong since March 5, 1998, Mr. Chan does not need to complete the overseas investment foreign exchange registration under the SAFE Notice. In addition, we have verbally confirmed with the relevant branch of the SAFE that a Hong Kong permanent resident is not required to complete the overseas investment foreign exchange registration under the SAFE Notice.

OUR GROUP STRUCTURE UPON LISTING

The following diagram sets out the shareholding structure of our Group after the Reorganisation and immediately after the Share Offer and assuming the Over-allotment Option is not exercised:



Notes:

- 1. Mr. Chan is our Chairman and an executive Director of our Company.
- 2. Mr. Chan beneficially and directly holds the entire issued share capital of VIL.
- 3. Daoyue is the project company which is undertaking the construction of the Sui-Yue Expressway (Hunan Section) and will manage and operate the same upon completion of the construction. Since Huayu Investment is controlled by Mr. Chan, the Ultimate Controlling Shareholder, and Huayu Investment holds 10% equity interest of Daoyue, Daoyue will become a connected person of our Company upon Listing pursuant to the Listing Rules.
- 4. Mr. Chan is indirectly holding 90.67% of the equity interest in Huayu Investment and the remaining 9.33% of the equity interest in Huayu Investment is held indirectly by Independent Third Parties as to an aggregate of 7.94% by four PRC individual investors and 1.39% by a PRC state-owned enterprise established in Yunan.

OVERVIEW

Our Group is a project company in the infrastructure sector in China. Its primary business is to invest, build, operate and manage infrastructure projects in China. At present, our Group's only project is the Sui-Yue Expressway (Hunan Section) (隨州至岳陽高速公路湖南段), which is a dual three-lane expressway with a planned length of approximately 24.08 km. The Sui-Yue Expressway (Hunan Section) is currently under construction and is planned to be completed by the end of 2011. Our Group will operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the concession period is 27 years (excluding construction period). Our Group's interests in Sui-Yue Expressway (Hunan Section) is held through Daoyue, a Sino-foreign equity joint venture established pursuant to the JV Contract and according to applicable PRC laws, which equity interest is held as to 90% by our Group and as to 10% by Huayu Investment.

The Sui-Yue Expressway

General

According to a feasibility study report on the Sui-Yue Expressway (Hunan Section) prepared by the Hunan Provincial Communications Planning, Surveying And Designing Institute (湖南省交通規劃勘察設計院) in February 2007, the Sui-Yue Expressway will be an approximately 361 km expressway serving as a high speed link between Suizhou city (隨州市) in Hubei Province and Yueyang city (岳陽市) in Hunan Province. The Sui-Yue Expressway will be running from Suizhou city in Hubei Province, passing along Jingshan county (京山縣), Tianmen city (天門市), Xiantao city (仙桃市) and Jianli county (監利縣) in Hubei Province in southern direction, crossing over the Yangtze River via the Jing-Yue Yangtze River Highway Bridge (荊岳長江公路大橋), and reaching Yueyang city in Hunan Province.

Hubei section of the Sui-Yue Expressway

The Hubei section of the Sui-Yue Expressway will have a length of approximately 328 km. The Hubei section of the Sui-Yue Expressway will be running from Suizhou city, going towards southern direction and reaching the northern end of the Jing-Yue Yangtze River Highway Bridge. The northern end of the Hubei section of the Sui-Yue Expressway will be connecting the Jiao-Tong Expressway (焦桐高速公路) (under construction) to reach Henan Province, in which road users may further use other roads and the Jing-Gang-Ao Expressway to reach Beijing and northeast China area and other roads and expressways to reach northwest China area. Within Hubei Province, the Hubei section of the Sui-Yue Expressway will run in parallel and between the Er-Guang Expressway (二廣高速公路) and the Jing-Gang-Ao Expressway (京港澳高速公路), each being approximately 100 km away from the Hubei section of the Sui-Yue Expressway. In terms of construction, the Hubei section

of the Sui-Yue Expressway is divided into three sections: northern section, middle section and southern section. The middle section has been completed and opened to traffic in December 2007. The northern section has been completed and opened to traffic in June 2009. The southern section is currently under construction and planned to be completed in late 2009.

Jing-Yue Yangtze River Highway Bridge

The Jing-Yue Yangtze River Highway Bridge, which will form part of the Sui-Yue Expressway, will be an approximately 5.4 km dual three-lane expressway bridge with a maximum design speed of 100 km per hour crossing over the Yangtze River, the partial provincial border between Hubei Province and Hunan Province, and connecting the Hubei section and the Hunan section of the Sui-Yue Expressway. The northern end of the Jing-Yue Yangtze River Highway Bridge will be located in Bailuo town (白螺鎮), Jianli county, Jingzhou city (荊州市) in Hubei Province and the southern end of it will be located in Daorenji town (道仁磯鎮), Yunxi zone (雲溪區), Yueyang city in Hunan Province. The Jing-Yue Yangtze River Highway Bridge is currently under construction and expected to be completed in October 2010.

Hunan section of the Sui-Yue Expressway

Our Group is currently developing and will (once construction is completed) operate the Sui-Yue Expressway (Hunan Section), that is, the Sui-Yue Expressway (Hunan Section). The Sui-Yue Expressway (Hunan Section) will have a length of approximately 24.08 km and will be connecting the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan (昆山) in Yueyang city, and connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. On June 15, 2008, a work commencement and mobilization ceremony in respect of the Sui-Yue Expressway (Hunan Section) was held in Yueyang city with the attendance of the government officials of the Hunan Province and our Group's management. The Sui-Yue Expressway (Hunan Section) is currently under construction and planned to be completed by the end of 2011.

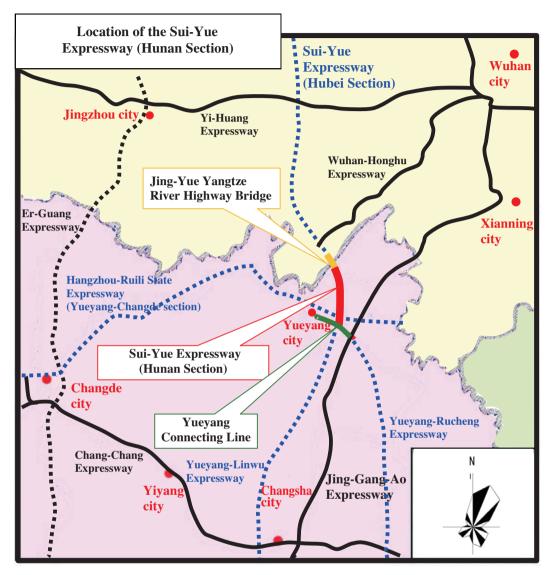
It is expected that the Sui-Yue Expressway (Hunan Section) will be further connecting to the following expressways:

- (1) the Yueyang-Rucheng Expressway (岳陽至汝城高速公路), to reach Jiangxi Province and Guangdong Province through Rucheng county in Hunan Province. As integral parts of the Yueyang-Rucheng Expressway, the Liling-Chaling Expressway (醴陵至茶陵高速公路), Hengyang-Yangling Expressway (衡陽至炎陵高速公路) and the Yanling-Rucheng Expressway (炎陵至汝城高速公路) are currently being constructed and planned to be completed and open to traffic at different points in time until 2013. The construction of other sections of the Yueyang-Rucheng Expressway is expected to commence by the end of 2009.
- (2) the Yueyang-Linwu Expressway (岳陽至臨武高速公路) (also known as Jing-Gang-Ao Alternative Line (京港澳復綫)), to reach Changsha (長沙), the provincial capital of Hunan Province, and Guangdong Province, Hong Kong and Macau through Linwu county in Hunan Province, the construction of which is currently in progress and is planned to be completed and open to traffic in 2012; and
- (3) the Hangzhou-Ruili State Expressway (杭州至瑞麗國家高速公路), to reach Hangzhou city in Zhejiang Province and Ruili city in Yunnan Province. The Hangzhou-Ruili State Expressway will be running from Hangzhou city in Zhejiang Province, going towards western direction and passing through Anhui Province, Jiangxi Province, Hubei Province, Hunan Province, Guizhou Province and reaching Ruili city in Yunnan Province. As integral parts of the Hangzhou-Ruili State Expressway, the whole of the Zhejiang and Anhui sections of the expressway have been completed and open to traffic; the whole or part of the Jiangxi, Hubei, Hunan, Guizhou and Yunnan sections are currently either being constructed or under planning. In particular, with respect to the Hunan section of the Hangzhou-Ruili State Expressway, the Yueyang-Changde section (岳陽至常德段) is currently being constructed and is planned to be completed and open to traffic in 2012, and the Changde-Jishou section (常德至吉首段) has been constructed and opened to traffic in December 2008.

According to Hunan Provincial Expressway Network Planning (湖南省高速公路網規劃) issued by the Hunan Transportation Department in 2006, the Yueyang-Rucheng Expressway, the Yueyang-Linwu Expressway and the Hangzhou-Ruili State Expressway are considered crucial expressways connecting Hunan Province with other provinces in China.

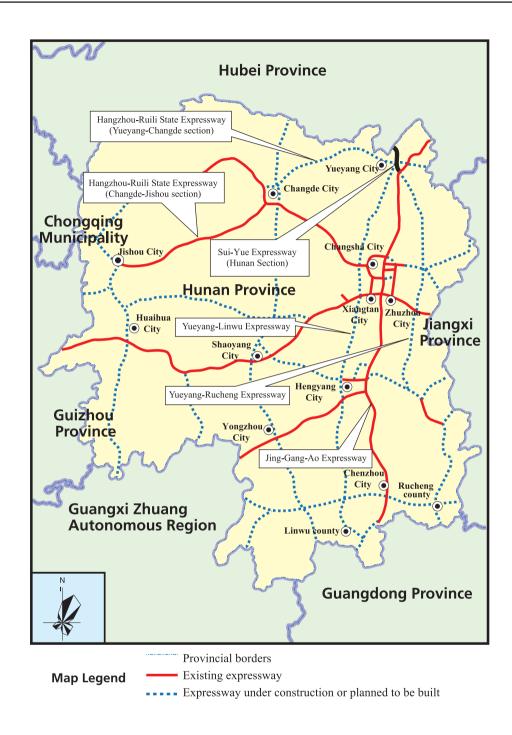
The Sui-Yue Expressway (Hunan Section) will therefore constitute an important and integral part of the Sui-Yue Expressway and provide a high speed link for travel between Hunan Province, Hubei Province and other provinces in China. The following two maps illustrate the location of the

Sui-Yue Expressway (Hunan Section) currently being developed by our Group and its connectivity with the existing expressways and the expressways under construction or planned to be built in Hunan Province:



Map Legend

- Provincial border
- Hubei Province
- Hunan Province
- Jiangxi Province
- **Existing expressway**
- Expressway under construction or planned to be built that is expected to connect to Sui-Yue Expressway (Hunan Section)
- •••• Other expressway under construction or planned to be built



Source: The information contained in the two maps above has been derived, in part, from (1) the feasibility study report on the Sui-Yue Expressway (Hunan Section) prepared by the Hunan Provincial Communications Planning, Surveying And Designing Institute in February 2007, (2) official government information including the Hunan Provincial Expressway Network Planning 2006 issued by the Hunan Provincial Government and (3) other sources available from the internet (including governmental, expressway industry, online encyclopedia and news websites). Our Directors have taken reasonable care to the reproduction of such information and believe that such information is reliable.

Hunan Province

The Sui-Yue Expressway (Hunan Section), which is currently being developed by our Group, lies in Hunan Province. Hunan Province is located in the centre of southern China. It is bounded on the east by Jiangxi Province, on the south by Guangdong Province and Guangxi Province, on the west by Guizhou Province and Chongqing Municipality and on the north by the Yangtze River and further, Hubei Province. It serves as a transitional hub between China's east coast and the western hinterland and acts as a junction between two major developmental regions of the PRC: the Yangtze River Delta and the Pan-Pearl River Delta. As such, Hunan Province enjoys a favorable geographical location in the PRC.

Hunan Province has a total area of approximately 211,800 square kilometers. The total population stood at approximately 68.1 million in 2007. Blessed with a subtropical temperate climate and abundant rainfall and sunshine, Hunan Province is the largest producer of rice in China. Hunan Province is also one of southern China's main timber bases, and holds rich reserves of minerals. Its reserves of tungsten, antimony, zinc and bauxite are among the tops in China. Other major deposits of minerals include lead, tin, barite and graphite mineral. It is named as the "homeland of non-ferrous metals (有色金屬之鄉)" and the "homeland of non-metal minerals (非金屬礦之鄉)". Hunan Province also has rich historical heritages and tourism resources. Famous tourism sites include Mount Hengshan (衡山) (one of the five sacred mountains in China), Dongting Lake (洞庭湖) (the second largest fresh water lake in China), Zhangjiajie (張家界), Fenghuang Ancient City (鳳凰古城), Yueyang Tower (岳陽樓) (one of the three historical monuments in South China) and former residence of Mao Zedong (毛澤東故居).

In 2008 and the first half of 2009, Hunan Province's economic performance remained strong despite the economic growth slowdown in China. According to the Hunan Provincial Government:

- (1) 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 for the same period;
- (2) 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
- (3) in 2008, the total number of domestic and foreign tourists visiting Hunan Province reached approximately 128 million, representing an increase of approximately 17.8% over 2007, and the total revenue from tourism amounted to approximately RMB85.2 billion, representing an increase of 16.3% over 2007.

According to the Year Book of China Transportation & Communications 2008, in 2007, the volume of possession of civil motor vehicles (民用車輛擁有量) in Hunan Province reached approximately 1.1 million, representing an increase of approximately 19.7% over 2006. Similarly, in 2007, the volume of possession of private motor vehicles (私人車輛擁有量) in Hunan Province reached approximately 742,000, representing an increase of 26.1% over 2006.

According to the MOT, for the period commencing from January to November 2008, with respect to Hunan Province:

- (1) the passenger throughput by road traffic (公路客運量) reached approximately 1.1 billion persons, representing an increase of approximately 3.1% over the same period in 2007;
- (2) the passenger turnover by road traffic (公路旅客周轉量) reached approximately 52.5 billion person-km, representing an increase of approximately 4.6% over the same period in 2007;
- (3) the cargo throughput by road traffic (公路貨運量) reached approximately 833 million tonnes, representing an increase of approximately 10.7% over the same period in 2007; and
- (4) the cargo turnover by road traffic (公路貨物周轉量) reached approximately 70.5 billion tonnes-km, representing an increase of approximately 14.8% over the same period in 2007.

Hunan Province's highway system (公路系統) has grown hand-in-hand with the economic development of the province. The province's GDP grew from approximately RMB355.1 billion in 2000 to approximately RMB920.0 billion in 2007, representing a growth of more than 1.59 times or approximately 159%. For the same period, the highway system expanded rapidly to support this growth. Highway length was merely 60,848 km in 2000 and increased almost three folds to 175,415 km at the end of 2007, representing a growth of more than 1.88 times or approximately 188%. For the same period, the length of expressway increased from 449 km in 2000 to 1,765 km in 2007, representing a growth of more than 2.93 times or approximately 293%. Appreciating the role that a developed highway network plays in economic development, the Hunan Transportation Department issued the Hunan Provincial Expressway Network Planning in 2006, with a vision of establishing a more comprehensive expressway network that connects surrounding provinces such that it only takes one day to travel from Changsha (the provincial capital of Hunan Province) to capital cities of adjacent provinces, and covers the entire province such that more than 90% of the province's towns (cities at county level and city districts) can access expressways within 30 minutes (please refer to the section headed "Business — Competitive Strengths — Our project will connect to major expressway networks in China and various feeder roads in Hunan Province" for more details of the Hunan Provincial Expressway Network Planning 2006).

According to the Hunan Provincial Expressway Network Planning 2006, The Hunan Transportation Department planned to have the Hunan Province's expressway network increased to approximately 3,600 km, 5,000 km and 5,600 km by year 2010, 2020 and 2030, respectively.

Hubei Province

Hubei Province is located in the centre of China. It has a total area of approximately 185,900 square kilometers and its total population stood at approximately 60.7 million in 2007. Hubei Province is one of the major agricultural and aquacultural bases in China, producing grain, cotton, oil-bearing crops, fishes and vegetables. Hubei Province is very rich in mineral resources. Deposits of phosphate, salt, silica, garnet and marlstone are among the highest in China. Hubei Province is also rich in tourism resources. Famous tourism sites include the famous Three Gorges (長江三峽), Yellow Crane Tower (黃鶴樓), Mount Wudang (武當山) (the famous martial arts sacred place which earns equal fame as the Shaolin Temple) and Jinzhou Ancient City (荊州古城) (the famous ancient walled city guarded by the legendary general Guan Yu (關羽) in the Three Kingdoms Period (三國時期)).

Similar to Hunan Province, Hubei Province's economy increased continuously in 2008 and the first half of 2009. According to the Hubei Provincial Government:

- (1) for the first three quarters of 2009, the GDP of Hubei Province reached approximately RMB866 billion, representing an increase of approximately 12.5% over the same period in 2008. Such GDP growth ranked 10th among the 31 provinces, autonomous regions and municipalities in China for the same period;
- (2) in 2008, the GDP of Hubei Province reached approximately RMB1.1 trillion, representing an increase of approximately 13.4% over 2007 and ranking 10th among the 31 provinces, autonomous regions and municipalities in China; and
- (3) in 2008, the total number of domestic and foreign tourists visiting Hubei Province reached approximately 117 million, representing an increase of approximately 14.7% over 2007, and the total revenue from tourism amounted to approximately RMB73.6 billion, representing an increase of 14.9% over 2007.

According to the Year Book of China Transportation & Communications 2008, in 2007, the volume of possession of civil motor vehicles in Hubei Province reached approximately 1.2 million. According to the MOT, for the period commencing from January to November 2008, with respect to Hubei Province:

- (1) the passenger throughput by road traffic reached approximately 818 million persons, representing an increase of approximately 16.8% over the same period in 2007;
- (2) the passenger turnover by road traffic reached approximately 45.4 billion person-km, representing an increase of approximately 18.4% over the same period in 2007;

- (3) the cargo throughput by road traffic reached approximately 435 million tonnes, representing an increase of approximately 20.8% over the same period in 2007; and
- (4) the cargo turnover by road traffic reached approximately 32.9 billion tonnes-km, representing an increase of approximately 22.6% over the same period in 2007.

COMPETITIVE STRENGTHS

We are currently developing the Sui-Yue Expressway (Hunan Section). We believe that our future prospects are attributable to the following competitive strengths:

Our project is strategically located in Hunan Province, one of the high economic growth provinces in China

In 2008 and the first half of 2009, Hunan Province's economic performance remained strong despite the economic slowdown in China. 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.

According to the Year Book of China Transportation & Communications 2008, in 2007, the volume of possession of civil motor vehicles in Hunan Province reached approximately 1.1 million. According to the MOT, for the period commencing from January to November 2008, the cargo throughput by road traffic of Hunan Province reached approximately 833 million tonnes, representing an increase of approximately 10.7% over the same period in 2007, and the cargo turnover by road traffic of Hunan Province reached approximately 70.5 billion tonnes-km, representing an increase of approximately 14.8% over the same period in 2007.

Further, the Sui-Yue Expressway (Hunan Section) will form an integral part of the Sui-Yue Expressway connecting Hunan Province with Hubei Province. Similar to Hunan Province, Hubei Province also enjoys a comparable high economic performance. Please refer to the sections headed "Business — Overview — Hunan Province" and "Business — Overview — Hubei Province" in this prospectus for more statistics on the economic performance of each of Hunan Province and Hubei Province.

We believe that the vibrant economic performance of Hunan Province and Hubei Province will continue to grow, giving us a strong traffic flow to sustain our future growth.

Our project is an integral part of the major artery between Hunan Province and Hubei Province

By supplying what the other needs, Hunan Province and Hubei Province complement and benefit each other. However, geographically, the Yangtze River forms the partial provincial border between Hubei Province and Hunan Province and separates the two provinces in the Wuhan-Jingzhou-Yueyang area. At present, 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 and such restriction inhibits the full utilization of the rich resources in both provinces for their economic benefit.

The Jing-Yue Yangtze River Highway Bridge, once completed and open to traffic, will fulfill the traffic need for a high speed link between Hubei Province and Hunan Province, in particular, between the Wuhan-Jingzhou area in Hubei Province and Yueyang area in Hunan Province. The Jing-Yue Yangtze River Highway Bridge is expected to shorten the travel time between Bailuo town and Daorenji town to approximately 5 minutes (for motor vehicles with a speed of 80 km per hour) from a journey of approximately 50 minutes on existing ferries (including the time for waiting ferry and the travel time for one ferry trip).

We believe that, once the Sui-Yue Expressway (including the Hunan section) is completed and open to traffic, the enormous economic potential of the currently restricted trading between the Wuhan-Jingzhou area in Hubei Province and the Yueyang area in Hunan Province will be realized, 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 this prospectus, 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 2,038.

Our project connects to major expressway networks in China and various feeder roads in Hunan Province

We believe that the Sui-Yue Expressway (Hunan Section) will benefit from its connectivity to the existing and future highway and expressway networks because usage of expressways depends on their accessibility relative to the points of origin and destination for their potential traffic. The Sui-Yue Expressway (Hunan Section) will be running from the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan in Yueyang city. To the north, the Sui-Yue Expressway (Hunan Section) will connect the Hubei section of the Sui-Yue Expressway through the Jing-Yue Yangtze River Highway Bridge to reach Hubei Province and further through the Jiao-

Tong Expressway (under construction) to reach Henan Province. From Hunan Province, road users may further use other roads and the Jing-Gang-Ao Expressway to reach Beijing and northeast China area and other roads and expressways to reach northwest China area. To the south, the Sui-Yue Expressway (Hunan Section) will connect to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. Under the existing motorway network, motor vehicles from Daorenji town going to the Jing-Gang-Ao Expressway are required to pass through the dual single lane Provincial Road S301 and State Road G107, which are class IV road and class II road, respectively, to reach Yueyang Connecting Line to go onto the Jing-Gang-Ao Expressway. Class IV roads and class II roads are roads of lower grade compared to expressways in terms of number of lanes, maximum design speed and transport volume handling. Further details of the technical standard of highways in China are contained in the section headed "Glossary" in this prospectus. We estimate that the Sui-Yue Expressway (Hunan Section) will shorten the travel time to approximately 25 minutes from a journey of approximately 60 minutes on existing roads.

It is also expected that the Sui-Yue Expressway (Hunan Section) will be connecting to (1) the Yueyang-Rucheng Expressway to reach Jiangxi Province and Guangdong Province through Rucheng county in Hunan Province, (2) the Yueyang-Linwu Expressway to reach Changsha, the provincial capital of Hunan Province, and Guangdong Province, Hong Kong and Macau through Linwu county in Hunan Province, and (3) the Hangzhou-Ruili State Expressway to reach Zhejiang Province, Anhui Province, Jiangxi Province, Hebei Province, Guizhou Province and Yunnan Province.

In addition, the Sui-Yue Expressway (Hunan Section) will have three bi-directional stack interchanges which will be placed at Daorenji (道仁磯), Yunxi (雲溪) and Kunshan (昆山), connecting to feeder roads to reach various destinations in Yueyang city, Yunxi zone (雲溪區), Yueyanglo zone (岳陽樓區) and Junshan zone (君山區) of Hunan Province.

The Hunan Provincial Government supports the extension of the highway and expressway networks in Hunan Province. Total highway length in Hunan Province was merely 60,848 km in 2000 and increased almost three folds to 175,415 km at the end of 2007. For the same period, the length of expressway in Hunan Province increased from 449 km in 2000 to 1,765 km in 2007. Further, according to the Hunan Provincial Expressway Network Planning 2006, the Hunan Provincial Government has a vision of:

- 1. Connecting Changsha, the capital city of Hunan Province with other 13 municipalities/ prefecture in Hunan Province, constructing express passages from Changsha to the external places such that daily return journeys from Changsha to the other 13 municipalities/prefecture are possible and adjacent municipalities/prefecture are directly connected by expressways.
- 2. Connecting surrounding provinces to form inter-provincial expressway passages such that it only takes one day to travel from Changsha to capital cities of adjacent provinces.

- 3. Connecting transport hubs such as important highways, railways, major ports and airport to form a high speed distribution highway network and to establish a comprehensive and modern integrated transport system in Hunan Province.
- 4. Connecting famous tourist destinations in the province to guarantee convenient, safe and comfortable transport for tourism development in Hunan Province.
- 5. Forming a fast and smooth expressway network covering the entire province such that more than 90% of the province's towns (cities at county level and city districts) can access expressways within 30 minutes.

According to the Hunan Provincial Expressway Network Planning 2006, The department plans to have the Hunan Province's expressway network increased to approximately 3,600 km, 5,000 km and 5,600 km by year 2010, 2020 and 2030, respectively.

As discussed above, the Sui-Yue Expressway (Hunan Section) will be supported by existing and future expressway networks in China and major feeder roads connecting with many of the most populous and important regions and other facilities in Hunan Province. We believe that the multiple connectivity of the Sui-Yue Expressway (Hunan Section) will be very attractive to future road users, thereby enhancing our growth prospects.

Our project benefits from high barriers to competition and territorial feature of expressway projects

The high entry barriers in the toll highway industry offer our Company substantial incumbency and lead-time advantages. Financing capacity, technological know-how, established governmental and business relationships, and the ability to commit resources to lengthy regulatory approval and development processes are among the critical qualities for success. The process of obtaining necessary official approvals, land use rights and financing for a PRC expressway project is, in particular, complex, lengthy and expensive.

Further, expressway projects such as the Sui-Yue Expressway (Hunan Section) are territorial in nature. Competition may only arise where the alternative road (if any) is close to, and no less efficient than, the Sui-Yue Expressway (Hunan Section). In this respect, the Hunan Transportation Department has agreed in principle in the Concession Agreement that, during the concession period of 27 years of the Sui-Yue Expressway (Hunan Section), as long as the transport volume of the Sui-Yue Expressway (Hunan Section) does not approach or reach saturation point, the Hunan Transportation Department will not procure the construction of another expressway which will run in parallel and compete with the Sui-Yue Expressway (Hunan Section) and, if such expressway is necessary according to the circumstances, we shall have the right of first refusal to invest in such expressway.

Based on the above, we believe that our project will benefit from high barriers to competition and territorial feature of expressway projects.

Our Group benefits from experienced and professional management and is well positioned to capitalise on new opportunities

Our Group's management team comprises a core group of highly experienced professionals with the origination, development, management, engineering, operational and financial skills necessary for the effective initiation, promotion, development and management of major PRC toll-expressway and other infrastructure projects. In particular, Mr. Chan Yeung Nam, Mr. Fu Jie Pin and Mr. Chen Min Yong have previously been involved in the development, construction and management of PRC expressway projects at different points in time since around 1998. They have completed the development and construction of the Shuiguan Expressway and Shuiguan Expressway Extension Line, which are now in actual operation and collecting toll, from 2001 and 2005, respectively. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for more details on the experience of our Group's management team.

With a team of experienced and professional management, our Group will pursue other infrastructure projects in China whenever suitable opportunity arises. Apart from developing new infrastructure projects, our Group will 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.

STRATEGIES

Our strategy is to leverage on our Group's superior competitive strengths and the high barriers to entry of the industry to capture future growth opportunities. This strategy involves the following principle elements:

To maintain the competitiveness of our project through effective management and forward planning

We consider the management of the Sui-Yue Expressway (Hunan Section) as the provision of a service to road users, and believe that alignment, expediency, service, speed and safety are the key factors that influence road users in their choice of route. We regard these factors as key to maintaining our competitive position.

We will strive to ensure that the Sui-Yue Expressway (Hunan Section) is well maintained, and offers smooth flow of traffic in order to maintain competitiveness. Our main strategy is forward planning and anticipation of demand. Whenever necessary, we will consider re-paving of the road surface, improvement and expansion of the entry-exit facilities at the interchanges to increase traffic flow.

To pursue other infrastructure projects in China and capitalize on opportunities to participate in further projects

We will pursue the initiation, promotion, development and operation of infrastructure projects, especially toll-expressway projects, in China. Our criteria of investment in infrastructure projects include feasibility of the projects, controllability of the risks associated with the projects and reliability of revenue generated from the projects. We also believe that our management team's experience in successfully completed and operating expressway projects and their connections and reputation in the industry will continue to lead to opportunities to participate in further projects. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for more details on the experience of our Group's management team, comprising our Directors and senior management. As at the Latest Practicable Date, we have not identified any potential infrastructure projects.

THE SUI-YUE EXPRESSWAY (HUNAN SECTION)

Our Group's Interests

Our Group's interests in the Sui-Yue Expressway (Hunan Section) are held through Daoyue, a Sino-foreign equity joint venture established pursuant to the JV Contract and according to applicable PRC laws, which equity interest is held as to 90% by our Group and as to 10% by Huayu Investment.

Please refer to the section headed "Business — Overview — The Sui-Yue Expressway (Hunan Section)" in this prospectus for the maps illustrating the location of the Sui-Yue Expressway (Hunan Section).

Key Data

Route From the southern end of the Jing-Yue Yangtze River Highway

Bridge in Daorenji town to Kunshan in Yueyang city

Total length 24.08 km

Classification Expressway

Number of lanes Dual three-lane (雙向六車道)

Maximum design speed 120 km per hour

Toll system Closed system

Number of toll plazas 4 toll plazas (Daorenji Main Line Toll Plaza (道仁磯主綫收費

站), Daorenji Toll Gate (道仁磯匝道收費站), Yunxi Toll Gate (雲溪匝道收費站) and Kunshan Toll Gate (昆山匝道收費站))

Number of interchanges 3 interchanges (Daorenji Bi-directional Stack Interchange (道

仁磯互通立交), Yunxi Bi-directional Stack Interchange (雲溪 互通立交) and Kunshan Bi-directional Stack Interchange (昆

山互通立交))

Joint venture partner Shenzhen Huayu Investment & Development (Group) Co.,

Ltd. (深圳華昱投資開發(集團)股份有限公司) (Huayu Investment), which holds 10% equity interest in Daoyue, the Group's project company for the Sui-Yue Expressway (Hunan

Section) project

Investment mode Build-Operate-Transfer

Concession period 27 years (excluding construction period)

The Route

The Sui-Yue Expressway (Hunan Section) is a 24.08 km dual three-lane expressway currently under development which will run from the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town. It will be passing through Yunxi zone, Yueyang city and reaching Kunshan in Yueyang city.

The Sui-Yue Expressway (Hunan Section) is currently under construction and planned to be completed by the end of 2011. It will be constructed as a closed system expressway and will have three bi-directional stack interchanges. It is expected to have four toll plazas. It will be asphalt-paved and will have a maximum design speed of 120 km per hour.

Destination and Major Connections

The Sui-Yue Expressway (Hunan Section) will form a major economic corridor between Daorenji town and Yueyang. Many populous and/or industrial towns such as Daorenji town (道仁磯鎮), Yunxi village (雲溪鄉), Yueyang Municipal Economic and Development Zone (岳陽市經濟開發區) and Yunxi town (雲溪鎮) are connected to the expressway's three bi-directional stack interchanges. The Sui-Yue Expressway (Hunan Section) will also connect to various feeder roads to reach various important facilities and places such as Yueyang Municipal Train Station (岳陽市火車站), Songyang Lake Containers Port (松揚湖集裝箱港口), Chenglingji Wharf (城陵磯碼頭), Yunxi Industrial Area (雲溪工業園) and tourism sites such as Yueyang Tower tourism site (岳陽樓景區) and Junshan tourism site (君山景區).

In addition to serving the towns and facilities in its immediate vicinity, the Sui-Yue Expressway (Hunan Section) will be connected to the other major expressways in China. In particular, the Sui-Yue Expressway (Hunan Section) will be connecting to the Hubei section of the Sui-Yue Expressway to reach Hubei Province and further the Jiao-Tong Expressway (under construction) to reach Henan Province. From Hunan Province, road users may further use other roads and the Jing-Gang-Ao Expressway (under construction) to reach Beijing and northeast China area and other roads and expressways to reach northwest China area. The Sui-Yue Expressway will also be connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. In the future, the Sui-Yue Expressway (Hunan Section) will be connecting to (1) the Yueyang-Rucheng Expressway to reach Jiangxi Province and Guangdong Province through Rucheng county in Hunan Province, (2) the Yueyang-Linwu Expressway to reach Changsha, the provincial capital of Hunan Province, and Guangdong Province, Hong Kong and Macau through Linwu county in Hunan Province, and (3) the Hangzhou-Ruili State Expressway to reach Zhejiang Province, Anhui Province, Jiangxi Province, Hebei Province, Guizhou Province and Yunnan Province.

Initiation and Promotion of the Project

The Sui-Yue Expressway project was initially formulated by the Hubei Provincial Communications Department in 2002. In 2003, both the Hubei Provincial Communications Department and the Hunan Transportation Department agreed in principle that the Hunan Transportation Department will be responsible for inviting investors to devlop the Sui-Yue Expressway (Hunan Section). In 2003, after a few rounds of verification and interviews, the Hunan Provincial Government selected Huayu Investment as the suitable candidate to develop the Sui-Yue Expressway (Hunan Section) based on various criteria such as the financial capability, creditability and financing capability. Huayu Investment then negotiated and entered into a preliminary agreement in relation to the concession right to develop and operate the Sui-Yue Expressway (Hunan Section) with the Hunan Transportation Department in October 2003.

Following completion of the preliminary feasibility study of the Sui-Yue Expressway (Hunan Section), approvals for the project were obtained from the Hunan Provincial People's Government, the Hunan Transportation Department and the Hunan Provincial Development and Reform Commission. In October 2004, Huayu Investment entered into the Initial Concession Agreement with the Hunan Transportation Department. Daoyue, the project company for the Sui-Yue Expressway (Hunan Section), was formally established in December 2006 and, pursuant to the provisions of the Initial Concession Agreement, has the same rights and obligations of Huayu Investment under the Initial Concession Agreement. Pursuant to the approvals and the Initial Concession Agreement, part of the Sui-Yue Expressway (Hunan Section) would be built based on dual two lane standards.

The development of other expressways which will connect to the Sui-Yue Expressway (Hunan Section) is also in progress. In August 2008, the Hunan Provincial Development and Reform Commission approved the feasibility study of the Yueyang-Changsha section of the Yueyang-Linwu Expressway, which envisaged adopting dual three-lane standards as the expressway's building standards. Consequently, in order to ensure that the number of lanes and the passage capacity of the Sui-Yue Expressway (Hunan Section) will be consistent with those of other expressways connecting to it and to meet the growing demand for expressways in Hunan Province, the Hunan Transportation Department and the Hunan Provincial Development and Reform Commission approved in August 2008 and February 2009, respectively, that the whole of the Sui-Yue Expressway (Hunan Section) shall be built on the dual three-lane standards. Based on such approvals, our Group will build and operate the whole of Sui-Yue Expressway (Hunan Section) based on the newly approved dual three-lane standards.

In order to streamline Daoyue's rights under the concession, Daoyue and the Hunan Transportation Department entered into the Concession Agreement on November 24, 2009 pursuant to which Daoyue is expressly and exclusively granted the concession right of 27 years (excluding construction period) to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section). The Initial Concession Agreement was terminated on November 24, 2009 when the Concession Agreement became valid and effective. Please refer to the section headed "Business - Project Concession" in this prospectus for further details.

Management Team

Our management has been involved in the Sui-Yue Expressway (Hunan Section) project since the project's initiation. Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing and Ms. Mao Hui, all of whom are our Directors, have been involved in the Sui-Yue Expressway (Hunan Section) project at different points in time since the project's initiation in 2003. In particular, Mr. Chan Yeung Nam was mainly involved in the overall management (including the investment, development, construction and operation) of the project, Mr. Fu Jie Pin was mainly involved in the project's investment analysis, commercial negotiation and coordination and investment capital operation, Mr. Chen Min Yong was mainly involved in project development, analysis and assessment, project preparation work, development of toll system and general operation management, while Ms. Mao Hui was mainly involved in the project's documentation, project application, following up on application process, financial management and public relations. All of them will continue to develop and manage the Sui-Yue Expressway (Hunan Section) project.

The table below sets out when the relevant members of our management team started to participate in the Sui-Yue Expressway (Hunan Section) and their respective roles and responsibilities:

Name	Position in our Company	Area of Responsibility	Date of Participation in the Sui-Yue Expressway (Hunan Section)
Chan Yeung Nam	Chairman and Director	Overall management, development and planning	October, 2003
Mai Qing Quan	Director	Communication and coordination with government authorities	July, 2005
Chen Kai Shu	Director	Road greening, soil and water preservation and environmental protection	April, 2009
Fu Jie Pin	Director	Project's investment analysis, commercial negotiation and coordination and investment capital operation	February, 2004
Chen Min Yong	Director	Project development, analysis and assessment, project preparation work, development of toll system and general operation management	September, 2003

Name	Position in our Company	Area of Responsibility	Date of Participation in the Sui-Yue Expressway (Hunan Section)
Zhang Bo Qing	Director	On-site management and project coordination	November, 2006
Yue Feng	Director	Liasing with the relevant governmental bodies and third parties in relation to road design	September, 2007
Mao Hui	Director	Project's documentation, project's application, following up on application process, financial management and public relations	November, 2005
Gan Xian Hui	Senior Management	Controlling contract budget and organization of invitations to tender	August, 2007
Chen Jing An	Senior Management	Design and technical management of road construction	November, 2006
Liu Dan Yi	Senior Management	Administration management, human resources and back-office management	February, 2004

Our management also has the relevant experience in managing and operating toll expressways in China. Mr. Chan Yeung Nam, one of our Directors, has been a director and the general manager of Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司) and responsible for the overall management and operation of Shuiguan Expressway (深圳水官高速公路), including overseeing the implementation of its toll collection system, traffic management, roadway and facilities maintenance and repair services from 2002. Mr. Fu Jie Pin, one of our Directors, had been the general manager of Shenzhen Huayu Telecommunication Equipment Development Company Limited (深圳市華昱電信設備發展有限公司) and he had been responsible for the overall management and the road electronic toll collection system maintenance from 1998 to 2009. Mr. Chen

Min Yong, one of our Directors who also head the Strategy and Project Development Department of Daoyue, had been the manager of the Road Property Department (路產部) of Shenzhen Airport-Heao Expressway (East Section) Company Limited (深圳機荷高速公路東段有限公司) and responsible for the management of toll collection, traffic management and roadway and facilities maintenance since the operation of Shenzhen Jihe Expressway East Section in 1997. Mr. Chen had also been the vice-general manager of Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司), responsible for the management of toll collection, traffic management and roadway and facilities maintenance of Shuiguan Expressway since its operation in 2001.

Joint Venture Arrangements

The Sui-Yue Expressway (Hunan Section) is being undertaken by Daoyue as a Sino-foreign equity joint venture established pursuant to the JV Contract and according to applicable PRC laws, which equity interest is held as to 90% by Good Sign Limited, an indirect wholly-owned subsidiary of our Company, and as to 10% by Huayu Investment.

The JV Contract governs the interests of Good Sign and Huayu Investment and their respective entitlements to share in the future net operating income of the Sui-Yue Expressway (Hunan Section). Pursuant to the JV Contract, the profit of Daoyue will be shared between Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue. Any risk and liabilities in relation to the operation of Daoyue shall be borne by Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue.

Pursuant to the JV Contract, each party shall make contributions to the registered capital of Daoyue in the agreed proportion of 90% and 10%, and neither party may withdraw the capital it contributes in any form by any means. The JV Contract also provides that any transfer of the capital contributed by one party to a third party shall be approved by the relevant authority, and the other party shall have the right of first refusal to purchase the transferred capital on equal terms.

Under the JV Contract, Good Sign is entitled to appoint four of the five directors of Daoyue. Chairman of the board of director of Daoyue shall be appointed by Good Sign, who shall also be the legal representative of Daoyue, whilst vice-chairman of the board of directors of Daoyue shall be appointed by Huayu Investment. Certain significant matters are stipulated in the JV Contract to require unanimous approval by all directors of Daoyue, including changes to the articles of association of Daoyue, termination or winding up of Daoyue, increase or changes in the registered capital of Daoyue, transfer of the registered capital of Daoyue, pledge of the assets of Daoyue, mergers, subdivisions or changes in the corporate form of Daoyue. Except for matters on which unanimous approval is required, board decisions of Daoyue will require approval of a two-thirds majority of its directors.

The duration of the business operation of Daoyue shall be 50 years from the date of issue of its first business license, provided that upon proposal by a party to the JV Contract and unanimous approval by its board of directors, Daoyue may within 6 months prior to expiration of its duration of business operation, apply to the original approval authority for an extension of its duration of business operation. Daoyue shall continue to carry on business unless and until (1) expiry of its duration of business operation, (2) significant loss is being made by the operation of Daoyue, or (3) the business objectives of Daoyue cannot be met due to non-compliance by any party or force majeure, whereupon Daoyue shall be dissolved. Upon dissolution of Daoyue, its board of directors shall set up a committee to handle its dissolution in accordance with all applicable PRC laws, and any surplus assets after all dissolution procedures have been completed shall be distributed to Good Sign and Huayu Investment in proportion to their respective investment in Daoyue.

Project Concession

The Initial Concession Agreement was entered into between Huayu Investment and the Hunan Transportation Department on October 23, 2004 pursuant to which Huayu Investment was granted the exclusive right to invest and build the Sui-Yue Expressway (Hunan Section), together with the exclusive right to operate and maintain such expressway upon completion of construction for a term of 25 years (excluding the construction period). The Initial Concession Agreement provides that Huayu Investment shall establish a project company and that such project company shall have the same rights and obligations of Huayu Investment under the Initial Concession Agreement. For this purpose, the project company, i.e. Daoyue, was established on December 22, 2006.

As part of the Reorganisation prior to the Listing and for the purpose of streamlining the financing of the Sui-Yue Expressway (Hunan Section) project, Huayu Investment has transferred its 90% equity interest in Daoyue to Good Sign. In order to streamline Daoyue's interests under the concession, on November 24, 2009, we have entered into the Concession Agreement with the Hunan Transportation Department to replace the Initial Concession Agreement. The Initial Concession Agreement was terminated on November 24, 2009 when the Concession Agreement became valid and effective. Pursuant to the Concession Agreement, Daoyue is granted the exclusive right to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section) and all rights and obligations of Huayu Investment under the Initial Concession Agreement are discharged. Further, pursuant to the Concession Agreement, the Hunan Transportation Department endorsed (1) Huayu Investment's transfer of the 90% equity interest in Daoyue to Good Sign, (2) the building standards of the Sui-Yue Expressway (Hunan Section) to be dual three-lane standards (which was different from dual two-lane standards as originally provided in the Initial Concession Agreement), (3) the maximum design speed of the Sui-Yue Expressway (Hunan Section) to be 120 km per hour (which was different from 100 km per hour as originally provided in the Initial Concession Agreement), (4) the total estimated project investment amount for the Sui-Yue Expressway (Hunan Section) to be RMB1.717 billion (which was different from RMB0.977 billion as originally provided in the Initial Concession Agreement), and (5) the concession period to be extended to 27 years (excluding the construction period) (which was different from 25 years (excluding the construction period) as originally provided in the Initial Concession Agreement). As the Sui-Yue Expressway (Hunan Section) is currently under construction and planned to be completed by the end of 2011, the new concession period of 27 years is expected to run from the beginning of 2012. Save as the identity of the concessionaire and the changes set out above, other terms of the Concession Agreement are largely similar to those of the Initial Concession Agreement.

Below is a comparison of major terms that are different between the Initial Concession Agreement and the Concession Agreement:

IIIIIIAI Concession Agreement	Initial	Concession Agreement	
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Concession Agreement

1. Concessionaire:

Concessionaire:

Huayu Investment

Daoyue

(Note: The Initial Concession Agreement provides that Daoyue, being Huayu Investment's project company, shall have the same rights and obligations of Huayu Investment under the Initial Concession Agreement)

(Note: The Concession Agreement provides that, upon the Concession Agreement becoming valid and effective, the Initial Concession Agreement is terminated. Daoyue and Huayu Investment's rights and obligations under the Initial Concession Agreement are discharged upon termination of the Initial Concession Agreement.)

2. Concession Period:

Concession Period:

25 years

27 years

3. Building standards of the Sui-Yue Expressway (Hunan Section):

Building standards of the Sui-Yue Expressway (Hunan Section):

Dual two-lane standards

Dual three-lane standards

4. Maximum design speed of the Sui-Yue Expressway (Hunan Section):

Maximum design speed of the Sui-Yue Expressway (Hunan Section)

100 km per hour

120 km per hour

5. Total estimated project investment amount:

RMB1.717 billion

Toll fee charges:

6.

RMB0.9774 billion

Toll fee charges:

The toll fee of the Sui-Yue Expressway (Hunan Section) shall be charged in accordance with the toll range approved by the Hunan Provincial Government

The toll fee of the Sui-Yue Expressway (Hunan Section) shall be charged in accordance with toll range approved by the Hunan Provincial Government, which shall not be lower than the toll range for other expressways in the Hunan Province with similar scale to the Sui-Yue Expressway (Hunan Section)

Total estimated project investment amount:

Initial Concession Agreement

7. Assignment of rights:

Subject to the approval by or filing with the Hunan Transportation Department, Daoyue may also assign or lease out its rights to operate peripheral service facilities of the Sui-Yue Expressway (Hunan Section) during the concession period in accordance with applicable laws.

8. Transfer of interest in Sui-Yue Expressway (Hunan Section):

Nil

Concession Agreement

Assignment of rights:

Subject to the approval by or filing with the Hunan Transportation Department, so far as permitted under the laws and regulations of the PRC, Daoyue may assign the whole or part of its rights under the Concession Agreement to collect toll fees from the Sui-Yue Expressway (Hunan Section) during the concession period, provided that prior consent from the Hunan Transportation Department shall be obtained and all relevant procedures shall be carried out in accordance with applicable laws. Furthermore, subject to the approval by or filing with the Hunan Transportation Department and other competent authorities, Daoyue may also assign or lease out its rights to operate peripheral service facilities of the Sui-Yue Expressway (Hunan Section) during the concession period in accordance with applicable laws.

Transfer of interest in Sui-Yue Expressway (Hunan Section):

Daoyue shall not transfer any of its interest in the Sui-Yue Expressway (Hunan Section) to any third party or change its shareholding structure during the concession period, unless with the approval of the Hunan Transportation Department.

Initial Concession Agreement

Concession Agreement

9. Maintenance requirements:

Maintenance requirements:

Nil

If Daoyue shall fail to maintain the Sui-Yue Expressway (Hunan Section) to the standards as required under the relevant regulations, the Hunan Transportation Department may serve a written notice to Daoyue and request for fulfilment of its maintenance duties; and if Daoyue shall fail to fulfil such maintenance duties after 60 days from receipt of such written notice with no valid reason, the Hunan Transportation Department is entitled to terminate the Concession Agreement.

10. Quality supervision and reporting:

Quality supervision and reporting:

Nil

Daoyue shall also arrange for quality supervision procedures for the highway construction works and report to the Hunan Transportation Department and other governing authorities on status of the financing, construction and operation of the Sui-Yue Expressway (Hunan Section) from time to time in accordance with the relevant regulations.

11. Construction of competing expressway:

Construction of competing expressway:

The Hunan Transportation Department has agreed in principle in the Concession Agreement that, during the concession period of 25 years of the Sui-Yue Expressway (Hunan Section), the Hunan Transportation Department will not procure the construction of another expressway which will run in parallel and compete with the Sui-Yue Expressway (Hunan Section)

The Hunan Transportation Department has agreed in principle in the Concession Agreement that, during the concession period of 27 years of the Sui-Yue Expressway (Hunan Section), as long as the transport volume of the Sui-Yue Expressway (Hunan Section) does not approach or reach saturation point, the Hunan Transportation Department will not procure the construction of another expressway which will run in parallel and compete with the Sui-Yue Expressway (Hunan Section)

Please also refer to section headed "Concession Agreement" below for other important terms of the Concession Agreement.

Concession Agreement

The Concession Agreement is based on the "build-operate-transfer" or "BOT" model. According to the Concession Agreement, all legal profits derived from operation of the Sui-Yue Expressway (Hunan Section) during the concession period shall belong to Daoyue. The toll fee of the Sui-Yue Expressway (Hunan Section) shall be charged in accordance with the toll range approved by the Hunan Provincial Government, which shall not be lower than the toll range for other expressways in the Hunan Province with similar scale to the Sui-Yue Expressway (Hunan Section). The Hunan Transportation Department has agreed under the Concession Agreement that after commencement of formal operation of the Sui-Yue Expressway (Hunan Section), if there shall be any substantial changes in regulations or government policies which cause losses to the profits of Daoyue deriving from the Sui-Yue Expressway (Hunan Section), the Hunan Transportation Deportment shall take appropriate measures or extend the concession period in order to remedy such impact on Daoyue, subject to the approval of the People's Government of Hunan Province. So far as permitted under the laws and regulations of the PRC, Daoyue may assign the whole or part of its rights under the Concession Agreement to collect toll fees from the Sui-Yue Expressway (Hunan Section) during the concession period, provided that prior consent from the Hunan Transportation Department shall be obtained and all relevant procedures shall be carried out in accordance with applicable laws. Furthermore, subject to the approval by or filing with the Hunan Transportation Department and other competent authorities, Daoyue may also assign or lease out its rights to operate peripheral service facilities of the Sui-Yue Expressway (Hunan Section) during the concession period in accordance with applicable laws.

Under the Concession Agreement, the Hunan Transportation Department shall not grant part or whole of the concession rights granted under the Concession Agreement to any third party and shall not itself or through its agent exercise any part of such concession rights. The Hunan Transportation Department shall supervise the construction, maintenance and operation of the Sui-Yue Expressway (Hunan Section) and has the right to request for inspection of relevant accounts and documents from Daoyue for them to fulfill such duty. The Hunan Transportation Department shall assist Daoyue in its application for various approvals and permits for and in resolving any difficulties suffered by it in relation to the construction, maintenance and operation of the Sui-Yue Expressway (Hunan Section).

Pursuant to the Concession Agreement, Daoyue shall not transfer any of its interest in the Sui-Yue Expressway (Hunan Section) to any third party or change its shareholding structure during the concession period, unless with the approval of the Hunan Transportation Department. Furthermore, Daoyue shall comply with all laws and regulations in relation to the construction, maintenance and operation of the Sui-Yue Expressway (Hunan Section) and shall be subject to the supervision of various government authorities and regulators in respect of the project. If Daoyue shall fail to maintain the Sui-Yue Expressway (Hunan Section) to the standards as required under the relevant regulations, the Hunan Transportation Department may serve a written notice to Daoyue and request for fulfillment of its maintenance duties; and if Daoyue shall fail to fulfill such maintenance duties after 60 days from receipt of such written notice with no valid reason, the Hunan Transportation Department is entitled to terminate the Concession Agreement. Daoyue shall arrange for all required insurance to be subscribed and maintained for the project. Daoyue shall also arrange for quality supervision procedures for the highway construction works and report to the Hunan Transportation Department and other governing authorities on status of the financing, construction and operation of the Sui-Yue Expressway (Hunan Section) from time to time in accordance with the relevant regulations. Daoyue shall however have the rights to decide on the operation policy and investment plans of the project and have control over matters such as distribution of profits and financing of the project.

The Concession Agreement shall terminate 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 event of default of its counterparty as defined in the Concession Agreement. At termination of the Concession Agreement, the right to operate and all fixed assets associated with the Sui-Yue Expressway (Hunan Section) will be transferred to the responsible governmental authorities at nil consideration. According to the Concession Agreement, the 27 years' concession period (excluding construction period) cannot be extended during the concession period, save and except the occurrence of force majeure causing failure in operation of the project, or where there are substantial changes in regulations or government policies which cause losses to the profits of Daoyue deriving from the Sui-Yue Expressway (Hunan Section), in which case the Hunan Transportation Department shall take appropriate measures or extend the concession period in order to remedy such impact on Daoyue, subject to the approval of the People's Government of Hunan Province.

Construction

The Sui-Yue Expressway (Hunan Section) is currently under construction and planned to be completed by the end of 2011. The project management is handled by an experienced professional team from our Group. All necessary approvals for the use of the required land for the construction of the expressway have been granted, except as disclosed in the sections headed "Risk Factors — Risks relating to Our Sui-Yue Expressway (Hunan Section) Project" and "Business — Land Use Rights and Property Interests" in this prospectus.

On August 17, 2009, the Hunan Quality Supervision Station of Transport Construction issued a quality and safety supervision letter to Danyue. The letter confirms that the Sui-Yue Expressway (Hunan Section) project is in compliance with the infrastructure construction procedure and the Hunan Quality Supervision Station of Transport Construction agreed to supervise the quality and safety of the Sui-Yue Expressway (Hunan Section) project in accordance with the relevant regulations. Besides, we have passed the audit of our financial resources for the construction of the Sui-Yue Expressway (Hunan Section) carried out by the Hunan Transportation Department. Further, we have obtained all the approvals for the acquisition of the land for the construction of the Sui-Yue Expressway (Hunan Section). We have obtained the approval for commencement of construction work in September 2009.

Land acquisition, demolition and resettlement

In order to ensure a smooth process for land acquisition, demolition and resettlement of the construction site for the Sui-Yue Expressway (Hunan Section) project, we have entered into a guarantee agreement for completing the land acquisition, demolition and resettlement with the Lead Committee of Coordination of Expressway Construction of Yueyang (岳陽市高速公路設協調領導小組) duly authorised by the Yueyang Municipal People's Government in December 2008, and a supplemental agreement entered into between the same parties in March 2009.

Pursuant to the guarantee agreement and the supplemental agreement, the Lead Committee will handle all the works of land acquisition, demolition and resettlement of the construction site for the project without our direct involvement. Pursuant to the guarantee agreement for completing the land acquisition, demolition and resettlement and the supplemental agreement, our obligations are mainly to pay the relevant fees for matters such as application for land use rights certificate and provisional use of land and to assist the Lead Committee in performing their work. We have fully paid up the fees and compensations in the aggregate amount of approximately RMB150 million as required under the agreements. For the purposes of the fees paid by Daoyue under the agreements, the Lead Committee shall set up a specified bank account especially for making payment of compensations to the relevant landlords. The Lead Committee shall also be responsible for coordinating with various government departments to facilitate construction of the Sui-Yue Expressway (Hunan Section) project, arrange for provisional use of land required for the construction and to resolve any disputes arising throughout the acquisition, demolition and resettlement process. On September 11, 2009, the Lead Committee issued a letter confirming that the owners of up to 98% of the buildings which shall be demolished and resettled have signed demolition agreements and up to 84.5% of such buildings have been demolished, and all of 13 utility proprietors which have utility facilities on the site have confirmed the demolition and resettlement plan. It is expected that the entire acquisition, demolition and resettlement process will be completed by the end of January 2010.

The guarantee agreement for completing the land acquisition, demolition and resettlement and the supplemental agreement do not set out expressly the compensation or remedy available to us in the event that the Lead Committee of Coordination of Expressway Construction of Yueyang fails to complete the demolition and resettlement work within the expected timeframe. We have been advised by our PRC Legal Advisers that, according to the PRC Contract Law, we are entitled to claim compensation against the Lead Committee for our losses caused by its breach of the agreements, although the Lead Committee may argue that its delay of performance is not due to their fault but due to force majeure or change of circumstances, and we may have difficulty proving the actual loss we incur as a result of the failure of the Lead Committee to meet the expected timeframe.

Construction work

Our Group divided the construction of the main structure of the Sui-Yue Expressway (Hunan Section) such as roadbeds and interchange bridges into four sections. Our Group has entered into three construction contracts with three different third-party contractors for the construction of three sections and will enter into construction contract with another third-party contractor for the construction of the last section in due course. The three contractors with whom our Group has entered into construction contracts are independent third parties to, and have no relationship with, any member of our Group or its connect persons. Each of such three contractors are infrastructure companies and have obtained the relevant qualifications for carrying out the agreed work, including qualification as first class general contractor for highway construction, qualification as first class professional contractor for bridge construction and qualification as first class professional contractor for foundational construction of highway. The aggregate value of the three signed construction contracts is approximately RMB691.65 million, of which RMB152.35 million has been paid up to the Latest Practicable Date. According to the construction contracts, the construction price under each of the contracts shall be paid by stage payments, including advance payments before commencement of work, monthly payments depending on progress of agreed work, advance payments for raw materials and permanent facilities, and final payment upon completion of agreed work.

We selected the third-party contractors for the construction of the three sections through a public tender process which, according to our PRC Legal Advisers, is legal and effective. The documents in relation to each completed tender have been duly submitted to the Hunan Provincial Expressway Administration Bureau for filing with the Hunan Transportation Department. Third-party contractors have been and will be selected in accordance with certain different criteria including their respective business history, construction experience, qualification of employees, equipments and facilities and financial position. All the construction contracts above were entered into on fixed price terms, adjustable according to the market price of the construction raw materials. All the construction contracts above contain the following major terms:

 (i) any variation of the agreed work and the price for such variation must be approved by Daoyue, and that the cost of repairing any construction defects are to be borne by the relevant contractor during the relevant warranty period;

- (ii) Daoyue will retain 5% of the construction price as quality assurance fee during the relevant Defect Liability Period. If the contractors fail to repair any construction defects satisfactorily during the relevant Defect Liability Period, Daoyue will use the quality assurance fee to repair the construction defects;
- (iii) the agreed work shall be supervised by supervising company appointed by our Group and the contractors shall arrange for additional equipment and facilities for the construction work if so requested by the supervising company;
- (iv) changes of the project manager, chief engineer and other major technical staff responsible for carrying out the agreed work must be approved by Daoyue or the supervising company appointed by Daoyue;
- (v) the contractors shall comply with all relevant regulations on work safety and shall take all
 necessary actions and develop such necessary safety precaution policies to ensure safety of the
 agreed work and the contractors' employees;
- (vi) the contractors shall be responsible for taking commercial accident insurance for the contractors' employees;
- (vii) the contractors shall complete the agreed work within the construction period set out in the respective construction contracts. If the contractors cannot complete the agreed work within the construction period, Daoyue shall be entitled to a compensation of RMB50,000 for each day of delay with a maximum limit of 10% of the value of the respective contract, and Daoyue has the right to terminate the construction contracts if there occurs any undue delay;
- (viii) after completion of the construction work and the relevant delivery checking procedures, Daoyue will be entitled to a Defect Liability Period of 24 months within which Daoyue and the supervising company appointed by Daoyue can conduct an overall inspection of the agreed work and request for the contractors to remedy any defects identified at the contractors' costs to the satisfaction of Daoyue. After the Defect Liability Period, Daoyue will also be entitled to a Warranty Period of 5 years during which the contractors shall be responsible for remedying all defects due to lack of quality of the construction work; and
- (ix) any sub-contract of the agreed work is prohibited.

We achieve our control over the outsourced construction activities through the following measures: (1) we have appointed a supervising company to monitor and review the progress, quality and safety of the construction work; and (2) Daoyue as the owner of the project will supervise the construction work in particular on any variation of the agreed work and construction price.

In order to prevent delay, all the construction contracts above were entered into for a fixed completion date where extension of construction time requested by any contractor would only be allowed in exceptional circumstances and must be approved by Daoyue. Each of the construction contracts provides that Daoyue is entitled to terminate the construction contract in the event of an undue delay.

Supervision work

Our Group has appointed a supervising company pursuant to a supervision contract to supervise the expressway construction carried out by the contractors. The supervision contract entered into by us with the supervising company contains the following major terms: (i) the number and qualifications of the supervising officers appointed by the supervising company to supervise the project shall meet the requirements set out in the supervision contract and certain number of the appointed supervising officers shall be stationed at the construction site of the project; (ii) changes of any supervising officer shall be subject to Daoyue's approval on the qualifications of the replacing supervising officer and the supervising company shall pay to Daoyue a penalty on each occasion of change of supervising officer, the amount of which will depend on the seniority of the supervising officer being changed; (iii) the supervising company shall be responsible for taking out insurance against liabilities of the supervising company and any third party liabilities with such terms acceptable to Daoyue and all fees for such insurance shall be included in the value of the supervision contract; (iv) Daoyue will retain 5% of the value of the supervision contract as a guarantee fee for due performance of the supervision contract by the supervising company; (v) any variation of the terms of the supervision contract shall be approved by both Daoyue and the supervising company; (vi) any rights and liabilities under the supervision contract shall not be assigned or sub-contracted.

The supervising company is an independent third party to, and have no relationship with, any member of our Group or its connected persons. The supervising company is an infrastructure supervising company with qualifications for carrying out supervision work, including the first class qualification for highway construction.

Pursuant to the supervision contract, if the supervising company violates the supervision contract, we are entitled to (as the case may be):

(1) demand a penalty of certain amount, or/and

- (2) confiscate part of or the whole of guarantee fee, or/and
- (3) claim compensation against the supervising company for our economic losses caused by its breach of the contract.

The ceiling of the cumulative total of the compensation for losses is set at 15% of the total amount of the supervision contract, reaching which we are entitled to unilaterally terminate the supervision contract and confiscate the whole of guarantee fee. Furthermore, in the event of certain material breach of the contract by the supervising company, we are also entitled to unilaterally terminate the supervision contract.

We have been advised by our PRC Legal Advisers that, pursuant to the PRC Contract Law and the Interpretations on Several Issues Concerning Application of the PRC Contract Law issued by the PRC Supreme People's Court, if the prescribed amount of the liquidated damages is below the actual loss resulting from the breach of one party, the innocent party is entitled to file a petition to the people's court or an arbitration tribunal to increase the amount to the extent not exceeding the actual loss; if the prescribed amount of the liquidated damages exceeds 130% of the actual loss resulting from the breach of the agreement, the party in breach is entitled to file a petition to the people's court or an arbitration tribunal to reduce the amount as appropriate based on the actual loss.

As the construction progresses, our Group will also appoint supervising companies to supervise building construction and mechanical and electrical work to be carried out by other contractors.

Other works

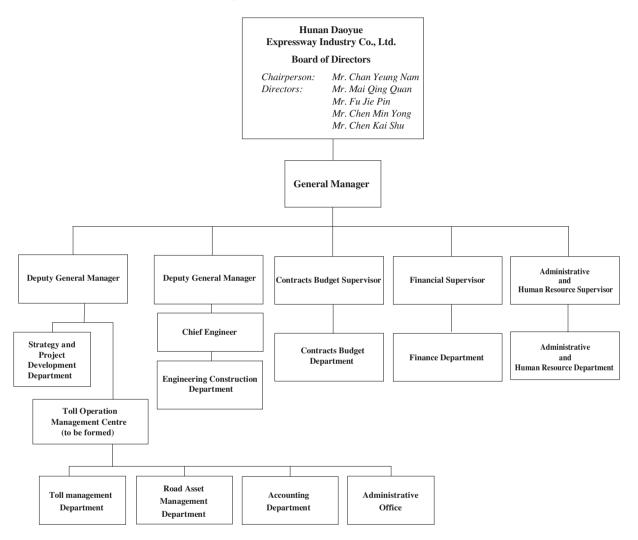
The construction contracts and the supervision contract above were entered into by the parties on the terms that part of the Sui-Yue Expressway (Hunan Section) would be built based on dual two lane standards. As our Group will build and operate the whole of Sui-Yue Expressway (Hunan Section) based on the newly approved dual three-lane standards, our Group will enter into supplemental agreements with the relevant contractors and supervisor to reflect the changes.

Following the completion of the main structure of the Sui-Yue Expressway (Hunan Section), our Group will appoint contractors to pave the expressway with asphalt and build traffic safety facilities and other service facilities at appropriate locations along the expressway.

OUR OPERATION PLAN

Management and operational staff

The main organizational structure of Daoyue, the project company for the Sui-Yue Expressway (Hunan Section), is set out in the diagram below:



In order to ensure an efficient and effective operation, our management is organized into six departments. Each of the senior managers has the relevant experience in the line of business of their respective department.

Strategy and Project Development Department

This department is responsible for formulating business strategies, project planning, providing analysis and making recommendations to the board of directors of Daoyue on important business issues and, in particular, the preparation of the corporate strategy development proposal and the investment project recommendation. This department is headed by Mr. Chen Min Yong. Mr. Chen graduated with a bachelor's degree in engineering major in construction material and product and has studied and completed a graduate programme major in transportation and management. Mr. Chen has approximately 11 years of experience in construction, operation and management of expressway projects.

Engineering Construction Department

This department is responsible for the engineering construction and management of the Sui-Yue Expressway (Hunan Section) project (including any other projects to be undertaken by Daoyue in the future) and is headed by Mr Zhang Bo Qing and Mr. Chen Jing An.

Mr. Zhang has studied and graduated from a graduate training scheme major in bridges and tunnels engineering. Mr. Zhang is a senior civil engineer and has approximately 9 years of experience in site management of road construction projects.

Mr. Chen is a senior engineer major in railway engineering. Mr. Chen has approximately 8 years of experience in the construction and technical management of expressways.

Contracts Budget Department

This department is responsible for managing the contracts (primarily in relation to the construction work) entered into between Daoyue and third party contractors, and is headed by Mr. Gan Xian Hui. Mr. Gan graduated with a bachelor's degree in engineering major in industrial and civil architecture. Mr. Gan has approximately 10 years of experience in the management of construction projects.

Finance Department

This department is responsible for the financial management and the preparation of financial information and is headed by Ms. Mao Hui. Ms. Mao graduated with a bachelor's degree in economics in financial accounting and a master's degree in management in accounting. Ms. Mao has approximately 10 years of experience in financial management.

Administrative and Human Resources Department

This department is responsible for performing administrative tasks and managing human resources and is headed by Ms. Liu Dan Yi. Ms. Liu graduated with a master's degree in engineering. Ms. Liu has approximately 19 years of experience in office management.

Toll Operation Management Centre

The Toll Operation Management Centre will be formed when the construction of the Sui-Yue Expressway (Hunan Section) is about to be completed. The centre will be responsible for the management of the toll collection, traffic management and the maintenance and repair work of the Sui-Yue Expressway (Hunan Section). The Toll Operation Management Centre is expected to be headed by Mr. Chen Min Yong. Mr. Chen has approximately 11 years of experience in the setting up and management of toll collection system.

Daoyue currently has a team of approximately 36 personnel, among whom directors consist of 5 persons, senior management personnel consist of 6 persons, technical and management personnel consist of 16 persons and general staff consist of nine persons. Daoyue is expected to employ an approximately 150 additional technical and management staff and toll collectors when the Sui-Yue Expressway (Hunan Section) is completed and a delivery checking is carried out.

The following table represents a breakdown of Daoyue's current 36 personnel by function and location:

Position in Daoyue	Number of Personnel	Location
Directors	5	Except for Mr Chen Min Yong, all directors work in Hunan, Hong Kong and Shenzhen. Mr Chen Min Yong is stationed in Hunan.
Senior Management	6	All stationed in Hunan
Technical and management personnel	16	All stationed in Hunan
General Staff	9	All stationed in Hunan

Save as disclosed in the "Risk Factors" and "Business" sections in this prospectus, our Directors confirm that our Group has complied with the relevant labour and social welfare laws and regulations in all jurisdictions where our Group operates, and that relevant contributions have been paid by our Group in accordance with these laws and regulations. Please see the section headed "Business — Social Security Schemes" in this prospectus for more details.

Toll collection

We currently plan to install a toll collection system for the Sui-Yue Expressway (Hunan Section) in the form of a closed system with computerized toll validation as described below.

According to our plan, when a driver enters the Sui-Yue Expressway (Hunan Section) at an interchange or barrier, an encoded IC card will be issued at the entry gate of the toll plaza to the driver. Upon exiting the expressway, the driver shall pay the toll charge based on the type of vehicle and distance travelled. All transactions will be recorded by the computers at the relevant toll plaza office and transmitted to the central toll information centre for auditing and recording. The toll information centre will be located at the management and operation centre near Yunxi Bi-directional Stack Interchange. The computer system will enable accurate records of the value of tolls received and assist in minimising the possibility of fraud. At the same time, traffic information can be obtained including the time, numbers and types of vehicle entering/exiting at each interchange and barrier for verification purposes. In addition, closed circuit television cameras will be installed in each toll lane, toll plaza and inside each exit toll booth. The supervisor at the toll plaza office will monitor the toll collection activities and the vehicles passing through the closed circuit television monitors.

We are also planning to hire sufficient staff and install surveillance equipment, security facilities, counting tools at counting room to centralize the counting of all cash receipts collected from different toll plazas. According to our plan, the counting staff will then collect the data from each toll plaza and each shift, and reconcile the cash receipts with the computer data of the toll collection system. Once the reconciliation is in order, the cash receipts will be packed and sealed and delivered to the bank through cash transportation vehicle. The bank will count and reconcile the cash receipts against the cash records every day. The bank will inform us immediately if it finds any discrepancy. In such case we will further verify and confirm and then inform the bank of the correct amount of the deposit.

We will handle the discrepancy caused by our toll collector on time in accordance with our policy. Any excess in cash receipts will be deposited to the bank. Any shortfall in cash receipts or fake cash will be required to be made up by the toll collector.

Traffic management

We believe that adopting effective traffic management, optimizing toll collection process, facilitating convenient, fast and safe transit, will be key to establishing maintaining the Sui-Yue Expressway (Hunan Section)'s status as a prime route of choice, particularly having regard to the expected increase in traffic volume. We believe that the three factors which principally contribute to congestion and delay at expressways are accidents, heavy traffic flow (either generally or at specific pressure points), and lane restrictions resulting from repair and maintenance works. Our Company's operational strategies aim at mitigating the problems likely to arise from these factors, based on forward planning and anticipation of demand.

According to our plan, traffic surveillance and telecommunication facilities consisting of emergency phones, traffic counting stations, changeable message boards and closed circuit video cameras will be placed at intervals along the Sui-Yue Expressway (Hunan Section). These facilities will enable Daoyue to monitor traffic conditions efficiently. Safety and directional signboards with lighting facilities will also be installed at appropriate locations along the Sui-Yue Expressway (Hunan Section) and at the three bi-directional stack interchanges. Traffic police will be stationed at the management centre of the Sui-Yue Expressway (Hunan Section) to respond to any emergency without delay. Daoyue will establish its own traffic assistance team to liaise and co-operate with the traffic police. In addition, Daoyue will also assist the roadway administration authority, which will take charge of the administrative management of the basic transportation facilities on the Sui-Yue Expressway (Hunan Section).

According to our plan, Daoyue will closely monitor traffic volume and flow along the Sui-Yue Expressway (Hunan Section). Interchanges along the Sui-Yue Expressway (Hunan Section) will be upgraded if necessary to provide better connections with local roads and the regional network as they develop. Daoyue will also schedule regular maintenance works at night or non-peak hours so as to cause minimum disruption to traffic.

Roadway and facilities maintenance and repair

According to our plan, the roadway and facilities maintenance and repair will primarily include maintenance and repair of roadbeds, road surface, bridges, tunnels, facilities along the expressway and toll plaza buildings caused by man-made incident or as a result of wear and tear, as well as maintenance and repair work under emergency operation. We expect the Road Asset Management Department of the Toll Operation Management Centre to be formed by Daoyue in the future to be responsible for the maintenance and repair work.

According to our plan, the Road Asset Management Department will identify the damage of the road or facilities through routine cheque, routine maintenance and repair and emergency operation. Based on the degree of the damage, the engineers responsible for the roadway and facilities maintenance and repair will propose maintenance and repair measure and its budget. Once we approve the measure and the budget, the Road Asset Management Department will select contractor through tenders and arrange for the maintenance and repair work to be carried out. Once the work is completed, we will carry out completion checking before using it.

Revenues

We expect our revenues will substantially come from toll receipts collected at toll plazas after the commencement of the operation of the Sui-Yue Expressway (Hunan Section). Toll rates for the Sui-Yue Expressway (Hunan Section) will be subject to the approval by the Hunan Provincial Government after the joint review and approval by the Hunan Provincial Price Bureau and the Hunan Transportation Department. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to end-users.

The formula for the toll rates is expected to be in the form of a rate per km traveled (行駛里程) based on vehicle classification and, if the vehicle is a goods-carrying vehicle (including vehicles carrying both passengers and goods), a rate based on the weight of the goods carried and per km traveled. Toll receipts are therefore principally dependent on traffic volume by vehicle categories, applicable toll rates, distance traveled and weight of goods carried by the vehicle (if applicable).

Other income

We expect Daoyue will generate a comparatively small amount of additional revenues from a combination of franchises for shopping spaces, convenient stores, restaurants, motels, gas stations and garages at the service centre, rescue services and advertising boards.

SOCIAL SECURITY SCHEMES

Pursuant to the PRC rules and regulations and the existing policy requirements of the PRC local government, we participate in various social security schemes for our PRC employees, including a pension contribution scheme, a medical insurance scheme, an employment insurance scheme, a work-related personal injury insurance scheme and a maternity insurance (生育保險). Such social security schemes are organized by the relevant PRC local government under which we are required to make monthly contributions to these schemes which are calculated on certain percentage designated by the local government. The PRC local government is responsible for the planning, management and supervision of the schemes, including collecting and investing the contributions, and paying out under certain circumstances when these contributions are due to be paid to the employees.

The total amount of contributions we made for such employee pension schemes for each of the years in the three-year period ended December 31, 2008 and the six month period ended June 30, 2009 was approximately HK\$18,000, HK\$15,000, HK\$25,000 and HK\$67,000, respectively.

We have carried out social security registration in accordance with the rules and obtained the social security certificate on July 8, 2009. We have been advised by our PRC Legal Advisers that we comply with all statutory requirements on the statutory social security schemes in the PRC. In addition, we have completed the registration of housing provident fund contribution and opened the bank accounts of housing provident fund. We will make contributions to the housing provident fund for our employees in accordance with the relevant regulations. We have been advised by our PRC Legal Advisers that although we failed to complete the registration and open the bank accounts in due time as required in the Regulations on the Administration of Housing Provident Fund (住房公積 金管理條例) effective as of April 3, 1999, we have duly post-registered with the competent authority and opened the bank accounts, therefore it is unlikely that we will be subject to penalty as a result of the delay of registration and opening of the bank accounts.

MAJOR SUPPLIERS AND CUSTOMERS

Major suppliers

For the three years ended December 31, 2008 and the six months ended June 30, 2009, purchases attributable to our single largest supplier amounted to approximately 46.13%, 84.62%, 51.93% and 77.28%, respectively, of our total purchasers in each period, and purchases attributable to our five largest suppliers amounted to approximately 81.49%, 96.54%, 82.39% and 98.99%, respectively, of our total purchases in each period.

Our five largest suppliers for 2008 consist of (1) Lead Committee established by government, (2) planning, surveying and design company and (3) contractors for infrastructure construction. The Lead Committee, known as the Lead Committee of Coordination of Expressway Construction of Yueyang, was duly authorised by the Yueyang Municipal People' Government to procure the land acquisition, demolition and resettlement with respect to the construction land of the Sui-Yue Expressway (Hunan Section). The planning, surveying and design company and the contractors are engaged by us to undertake the planning, survey, design and construction of the Sui-Yue Expressway (Hunan Section).

The payments to the Lead Committee are by stage payments. 40% of the contract price is paid upon execution of agreement. Up to 70% of the contract price is paid within 15 days from execution of the agreement. The remaining contract price is paid upon completion of execution of resettlement agreements and other formalities with relevant landlords. The settlement of payments is by transfer of accounts.

The payments to the planning, survey and design company are also by stage payments. 20% of the contact price is paid within 28 days from the effective date of the agreement. 25% of contract price is paid within 28 days after examination, amendment and approval on initial design is obtained. 40% of contract price is paid within 28 days after examination, amendment and approval on construction plan drawings is obtained. Up to 95% of contract price is paid within 28 days after issuance of the delivery checking certificate on agreed work. The remaining contract price is paid within 28 days after completion of completion checking of the agreed work. The settlement of payments is by transfer of accounts.

The payments to the contractors are by installments, begin with an advance payment of 7% of the contract price. Of the 7% of the contract price, 70% is paid within 28 days after the contract is signed and 30% is paid when the main machinery enters the construction side. The remaining 93% of the contract price is paid monthly depending on the work progress. The settlement of payments is by transfer of accounts.

As at the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in our five largest suppliers.

Major customers

As our Sui-Yue Expressway (Hunan Section) project is under construction, we have no customer information.

COMPETITION

The Sui-Yue Expressway (Hunan Section) will run from Daorenji town to Kunshan in Yueyang and connect to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line. Under the existing motorway network, motor vehicles from Daorenji town going to the Jing-Gang-Ao Expressway are required to pass through the dual single lane Provincial Road S301 and State Road G107, which are class IV road and class II road, respectively, to reach Yueyang Connecting Line to go onto the Jing-Gang-Ao Expressway. Class IV roads and class II roads are roads of lower grade compared to expressways in terms of number of lanes, maximum design speed and transport volume handling. Further details of the technical standard of highways in China are contained in the section headed "Glossary" in this prospectus. We estimate that the Sui-Yue Expressway (Hunan Section) will shorten the travel time to approximately 25 minutes from a journey of approximately 60 minutes on existing roads.

Apart from the above, we believe that there are currently no published or official proposals for any additional or alternative expressway connection between Suizhou city, Hubei Province and Yueyang city, Hunan Province, which would provide speed and convenience for travel between these cities comparable to that which will be available via the Sui-Yue Expressway (Hunan Section).

Further, the Hunan Transportation Department has agreed in principle in the Concession Agreement that, during the concession period of 27 years of the Sui-Yue Expressway (Hunan Section), as long as the transport volume of the Sui-Yue Expressway (Hunan Section) does not approach or reach saturation point, the Hunan Transportation Department will not procure the construction of another expressway which will run in parallel and compete with the Sui-Yue Expressway (Hunan Section) and, if such expressway is necessary according to the circumstances, we shall have the right of first refusal to develop such expressway.

PROSPECTS

The Sui-Yue Expressway (Hunan Section), when completed, will fulfil the traffic need for a high speed link between Daorenji town and Yueyang city. It will be located in Hunan Province, one of the high economic growth provinces in China. It will not only be connecting to various feeder roads in Hunan Province but also, to the north, the Hubei section of the Sui-Yue Expressway to reach Hubei Province and further other roads and expressways to reach Henan Province, northwest China area and northeast China area and, to the south, the existing Jing-Gang-Ao Expressway to reach Guangdong Province, Hong Kong and Macau. In the future, Sui-Yue Expressway (Hunan Section) will also be connecting to expressways to Zhejiang Province, Anhui Province, Jiangxi Province, Guizhou Province and Yunnan Province. We expect there to be an immediate and increasing demand for a high speed route between these major places.

Further, the Sui-Yue Expressway (Hunan Section), when completed, will constitute an important and integral part of the Sui-Yue Expressway. The Sui-Yue Expressway will be running from Suizhou city in Hubei Province, crossing over the Yangtze River via the Jing-Yue Yangtze River Highway Bridge and reaching Yueyang city in Hunan Province. It will fundamentally change the way the people from Hubei Province (the area in between Wuhan and Jingzhou) going to Hunan Province Yueyang area and vice versa. At present, 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 that crosses over the Yangtze River 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 required to take ferry to cross the Yangtze River. We believe that, once the Sui-Yue Expressway (including the Hunan section which is currently being developed by our Group) is completed and open to traffic, the enormous economic potential of the currently restricted trading between Hubei Province (the area in between Wuhan and Jingzhou) and Hunan Province (Yueyang area) will realize and provide significant vehicle turnover for the Sui-Yue Expressway (Hunan Section).

REPORTS OF TRAFFIC CONSULTANT AND VALUER

We have commissioned Parsons to conduct a study of the traffic flow of the Sui-Yue Expressway (Hunan Section) during the concession period of 27 years. The text of the letter in connection with the study (known as "Traffic and Revenue Study for Suizhou-Yueyang Expressway (Hunan Section), China" or "Traffic Consultant's Report") issued by Parsons is contained in Appendix IV to this prospectus. We have also commissioned Jones Lang LaSalle Sallmanns Limited ("Jones Lang") to conduct the business valuation ("Business Valuation") of 100% equity interest of Daoyue, which sole asset is the Sui-Yue Expressway (Hunan Section), with reference to the information contained in the Traffic Consultant's Report, for which Jones Lang has endorsed. The report issued by Jones Lang in connection with the Business Valuation is set out in Appendix III to this prospectus. The total estimated project investment of the Sui-Yue Expressway (Hunan Section) of RMB1.717 billion is financed by a bank loan of RMB1.10 billion and capital investment of RMB601 million. The valuation of 100% equity interest in Daoyue relates to the capital investment of Daoyue only. Based on the Business Valuation, the fair value of 100% equity interest in Daoyue as at October 31, 2009 was approximately RMB1,050 million (approximately HK\$1,193 million). The Group currently holds 90% interest in Daoyue.

FINANCING ARRANGEMENTS

The total estimated project investment for the Sui-Yue Expressway (Hunan Section) is approximately RMB1.717 billion. It will be financed by a combination of registered capital, bank loans and the net proceeds from the Share Offer. Total investment made by our Group for the Sui-Yue Expressway (Hunan Section) is approximately RMB370 million up to the Latest Practicable Date.

Good Sign and Huayu Investment have obtained the approval from the Hunan Provincial Commerce Department to (a) increase the amount of total investment of Daoyue from RMB600 million to RMB1.717 billion and (b) contribute a further RMB400.95 million to the registered capital of Daoyue, thereby increasing the registered capital of Daoyue from RMB200 million to RMB600.95 million. Pursuant to the approval, Good Sign and Huayu Investment shall contribute the additional registered capital of approximately RMB400.95 million in proportion to their respective shareholding in Daoyue (i.e. 90%:10%), and they shall contribute 20% of their respective proportion before obtaining the new business licence and the remaining 80% within two years after the issuance of the new business licence in compliance with the applicable laws and regulations. Good Sign and Huayu Investment have contributed 20% of the increased registered capital of Daoyue in August 2009 and such capital contributions have been duly verified by qualified PRC accountants in accordance with the PRC Company Law. Daoyue has obtained a new business licence on September 17, 2009. The balance of 80% of the increased registered capital of Daoyue is expected to be contributed by Good Sign and Huayu Investment within two years after the issuance of the new business licence. Out of Good Sign's remaining capital contribution to Daoyue, approximately RMB100 million is expected to come from the net proceeds from the Share Offer and the balance from the internal funding of our Group.

We carried out registration of the approved changes of the registered capital and total investment of Daoyue with, and obtain a new business licence of Daoyue from, the CSAIC more than 30 days after obtaining the approval. According to the PRC Legal Advisers, failure to carry out the registration and obtain the new business licence before a renewed deadline may result in imposition of a penalty of RMB10,000 to RMB100,000. Nevertheless, as (1) the Hunan Provincial Commerce Department has confirmed the validity of the approval regarding such charges and granted us a renewed deadline for carrying out the registration and (2) we have duly carried out the registration and obtained the new business licence within the renewed deadline, our PRC Legal Advisers have advised us that we shall not be subject to any penalty or other legal liabilities as a result of the delay.

Approximately RMB1.10 billion is intended to be financed by RMB denominated bank loans to be borrowed by Daoyue from China Merchants Bank. Huayu Investment provided a guarantee to China Merchants Bank in relation to Daoyue's indebtedness under the loans. As at the Latest Practicable Date, our Company has reached agreement in principle with China Merchants Bank for the latter to agree to release the existing guarantee provided by Huayu Investment and replace the same with a guarantee to be provided by our Group on the condition of, inter alia, the Listing taking place. The actual replacement of the guarantee will take place within three months after the Listing Date.

We will make further capital contribution to Daoyue or secure further loan in the event that current financing arrangements turn out to be insufficient for the Sui-Yue Expressway (Hunan Section) project.

Further details concerning these financing arrangements are contained in the section headed "Financial Information — Financial Resources and Liquidity — Financing Arrangement for the Sui-Yue Expressway (Hunan Section) Project" in this prospectus.

TAXATION

Pursuant to the current PRC tax laws and regulations, Daoyue is currently subject to a uniform enterprise income tax rate of 25% on its various incomes gained during its operation of the Sui-Yue Expressway (Hunan Section) including the trial operation period. However, under the current PRC preferential tax treatment policies, Daoyue may be entitled to enjoy, subject to the filing with the relevant tax authorities, a three year exemption from, to be followed by a three-year 50% reduction in the rate of, the enterprise income tax in respect of its profit arising from the investment and operation of the Sui-Yue Expressway (Hunan Section), commencing from Daoyue's first income-receiving year. Pursuant to the relevant regulations, a PRC resident enterprise investing and operating roads of above the first grade which are approved for construction by the investment authorities of above the provincial level shall enjoy the income tax preferential treatment only after filing with relevant tax authorities and submitting the following documents: (1) a copy of the approvals issued by the relevant authorities for the project; (2) a copy of the completion checking report of the project; (3) a copy of the verification report of the total investment of the project; and (4) other documents requested by the tax authorities.

In addition, the business tax rate on tolls collected by Daoyue shall be 3%, whereas the other income of Daoyue which is taxable under the PRC business tax regulations shall be subject to the business tax rate of 5%. Besides, for each square meter of farmland to be occupied by Sui-Yue Expressway (Hunan Section), Daoyue shall pay RMB2 as the farmland occupation tax.

Our Directors confirm that our Group has made all the currently required tax filings under the relevant tax laws and regulations in the respective jurisdiction, has paid all outstanding tax liabilities, and is not subject to any dispute or potential dispute with the tax authorities.

We have received a confirmation letter issued by each of the Local Taxation Bureau and the State Taxation Bureau of the High-Tech Industrial Development Zone of Changsha, both of which dated December 8, 2009 and confirmed that Daoyue had passed the annual inspection for all relevant past years with the Local Taxation Bureau and the State Taxation Bureau respectivel, and both bureaus confirmed that they did not find any non-compliance of laws and regulations on the part of Daoyue since its establishment up to the date of the issuance of the confirmation letters.

INSURANCE

We will maintain insurance covers which are appropriate to the construction, operations and circumstances of the Sui-Yue Expressway (Hunan Section). Daoyue maintains construction all-risk (including third party liability) cover in respect of the construction of the Sui-Yue Expressway (Hunan Section). Daoyue also maintains mandatory vehicle accident insurance for its vehicles in accordance with the relevant PRC laws and regulations. In addition, Daoyue procured its contractors to take out commercial accident insurance cover for the contractors' employees. Once the Sui-Yue Expressway (Hunan Section) is completed and open to traffic, Daoyue plans to take out property all-risk insurance cover. Our Directors believe that these existing and future insurance arrangements are adequate and conform to insurance programs customary for operators and developers of toll roads within the PRC and, in the case of our Group. No insurance claims were made by our Group during the Track Record Period.

LAND USE RIGHTS AND PROPERTY INTERESTS

Daoyue, which is developing the Sui-Yue Expressway (Hunan Section) project, has obtained approvals from the Ministry of Land and Resources of the PRC on October 13, 2008 and the People's Government of Hunan Province on November 23, 2009 to acquire the right to use the land involved in the construction of the Sui-Yue Expressway (Hunan Section) ("Construction Land Use Rights of the Project"). Based on the above and other ancillary approvals obtained by Daoyue, namely, (1) the Preliminary Approval Report of Construction Land (建設用地預審報告書) issued by the Hunan Provincial Bureau of Land and Resources on April 16, 2008 and December 31, 2008 respectively; (2) the Consent Letter of Using the Forest Land (使用林地審核同意書) respectively issued by the State Forestry Administration on October 2, 2008 and the Hunan Provincial Forestry Bureau on March 4, 2009; and (3) the Approval on Land for Construction (建設用地批准書) and the Decision on Allocation of Use Rights of the State Land for Construction (國有建設用地劃撥決定書) issued

by the People's Government of Yueyang and Yueyang Municipal Bureau of Land and Resources respectively on November 23, 2009, we have been advised by our PRC Legal Advisers that Daoyue has the right to construct and operate the Sui-Yue Expressway (Hunan Section) on the land used for the construction and operation of the expressway. According to the Approval on Land for Construction, the Construction Land Use Rights of the Project will occupy an aggregate site area of approximately 220.4022 hectares, among which (1) an area of approximately 219.1104 hectares will be acquired by us through allocation (劃撥) and (2) an area of approximately 1.2918 hectares, which will be used for constructing toll plazas and service area, will be acquired by us through payment of use fee (有償使用).

Daoyue has fully paid up the fees and compensations for the Construction Land Use Rights of the Project pursuant to a guarantee agreement for completing the land acquisition, demolition and resettlement entered into with the Lead Committee of Coordination of Expressway Construction of Yueyang (岳陽市高速公路建設協調領導小組) duly authorised by the Yueyang Municipal People's Government in December 2008, and a supplemental agreement entered into between the same parties in March 2009. According to the confirmation letter issued by the Lead Committee of Coordination of Expressway Construction of Yueyang on June 27, 2009, it confirmed that Daoyue had paid up all the fees and compensations of RMB149.61 million as provided under the guarantee agreement and the supplemental agreement.

Daoyue is required to pay the forest recovery fee (森林植被恢復費), the farmland occupation tax (耕地佔用税), farmland cultivation fees (耕地開墾費), mineral compensation fee (礦產資源補償費) and compensations to the proprietor of utility facilities on the construction site (三杆遷移費). We have fully paid up all the forest recovery fee of RMB2,406,794, the farmland occupation tax of RMB4,125,946, the farmland cultivation fees of RMB9,131,562 and the mineral compensation fee of RMB81,900. We have not paid the compensations to the proprietor of utility facilities on the construction site. We estimate the compensation we should pay to the proprietors of utility facilities on the construction site is around RMB8,000,000 to RMB10,000,000. We are negotiating with the proprietors of utility facilities on the construction site regarding the compensations for the utility facilities to be demolished for the construction, so the actual amounts of the above fees and compensations have yet to be determined. However, we estimate the amounts shall be determined and we will pay up all these fees and compensations within January 2010 out of the internal funding of Daoyue.

Daoyue has yet to obtain land use rights certificates of the Construction Land Use Rights of the Project. The rights to the majority of the land used for the construction and operation of the Sui-Yue Expressway (Hunan Section) (approximately 219.1104 hectares) are acquired by us through allocation, therefore the relevant certificates of the allocated land use rights could not be obtained until the project is completed. We will submit an application for registration of our allocated land use rights after the completion checking of the expressway. Our PRC Legal Advisers have advised us that the fact that we have not obtained the land use rights certificates with respect to the allocated construction land before the completion of the Sui-Yue Expressway (Hunan Section) does not constitute a non-compliance with the relevant laws and regulations in the PRC.

A small portion of the land use rights (approximately 1.2918 hectares) for the construction of toll stations and the service area will be acquired by us through payment of use fee (有償使用). We have duly paid up the aggregate use fee for such portion of land of RMB488,884 on October 29, 2009 and will enter into land grant contract with the government authority. Our PRC Legal Advisers have advised us that there is no legal impediment for us to obtain the land use rights certificates with respect to such 1.2918 hectares of land. We expect to obtain the land use rights certificates with respect to such 1.2918 hectares of land at the same time when we obtain the land use rights certificates with respect to the allocated construction land.

The construction of the Sui-Yue Expressway (Hunan Section) is expected to be completed by the end of 2011. Once the construction is completed, we will organise a delivery checking on the Sui-Yue Expressway (Hunan Section) and file a delivery checking report with the Hunan Transportation Department. If the Hunan Transportation Department has no objection on the report within 15 days after the filing, we will carry out trial operation of the expressway for a period of two to three years, during which we will operate the Sui-Yue Expressway (Hunan Section) as usual and collect toll receipts. The period for the trial operation shall be included in the concession period of 27 years. After the trial operation, we will apply for a completion checking with and obtain an acceptance certificate from the Hunan Transportation Department. Once we obtain the acceptance certificate, we will commence formal operation of the Sui-Yue Expressway (Hunan Section) and submit an application for the land use rights certificates for the Sui-Yue Expressway (Hunan Section). We estimate that it may take a further 24 months or more to obtain the allocated land use rights certificates after the acceptance certificate is obtained. We have been advised by our PRC Legal Advisers that, once the acceptance certificate is obtained, there is no legal impediment to obtain the land use rights certificates in respect of the allocated land use rights.

Save as above, we have been advised by our PRC Legal Advisers that Daoyue has obtained all material approvals and undergone all necessary legal procedures in relation to its land use rights for the Sui-Yue Expressway (Hunan Section) project.

Leases

We lease two properties in Changsha for business purpose and one property in Yueyang for business and residential purposes. We have entered into lease agreement with respect to each of the leased properties. Our PRC Legal Advisers have advised us that all the lease agreements are legal, valid and enforceable. Our PRC Legal Advisers have also advised us that, although the lessor under each lease agreement is not the owner of the relevant leased property, all the lessors have been entrusted and authorised by the respective owners who have either property ownership certificates or other property ownership proof to enter into the leases with us. We have been advised by our PRC Legal Advisers that, pursuant to the PRC Contract Law, if an agent acting within the scope of authorization concludes, in his/her/its own name, an agreement with a third party who is aware of the authorization at the time of entering into the agreement, such agreement shall be directly binding on

the principal. On such basis, our PRC Legal Advisers have advised us that the owners of the above leased properties, as the principals, are all subject to the lease agreements and hence could not eject us from the leased properties unless the lease agreements are terminated due to our material breach of the lease agreements. Please see the section headed "Property Valuation" in Appendix V to this prospectus for more details of the leased properties.

For all the above leased properties, our landlords failed to register the relevant leases with the competent housing departments as required by the relevant PRC laws and regulations. We have been advised by our PRC Legal Advisers that the landlords' failure to register the leases does not invalidate our leases. We have been advised by our PRC Legal Advisers that, pursuant to the Interpretation of the Supreme People's Court on Several Issues on the Application of Laws for the Trial of Cases concerning Housing Lease Agreement Disputes (最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋) effective as of September 1, 2009, where a lessor enters into several valid lease agreements with different lessees with respect to one house (房屋) and the different lessees all claim tenancy rights, the people's court shall determine the lessee who may occupy and use the house in the following order: (1) the one who has legally occupied the house; (2) the one who has completed the lease registration; (3) the one who first enters into the lease agreement. On such basis, our PRC Legal Advisers have advised that, as we have already legally occupied the leased properties referred to above, our rights to occupy and use these leased properties shall not be subject to challenge by third parties even though the relevant leases have not been registered with the housing departments.

We also lease a property in Hong Kong for office use. We do not have any owned property or other leased property save as disclosed herein. Please see the section headed "Property Valuation" in Appendix V to this prospectus for more details of our leased properties.

ENVIRONMENTAL CONSIDERATIONS

Environmental protection issues in the PRC are governed by the *Law of Environmental Protection* and a series of related regulations covering air pollution, air quality, water and ocean pollution and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local regulations and standards to suit the local situation. Please see section headed "Industry and Regulatory Overview — Regulatory Overview — Environmental Protection" for more details.

Daoyue, which is developing the Sui-Yue Expressway (Hunan Section) project, is subject to a number of regulations specifically applicable to infrastructure companies. These regulations relate principally to pollution and hazardous substances. As the Sui-Yue Expressway (Hunan Section) project may have an impact on the natural environment due to the presence of the expressway and the large-scale works involved in maintaining and repairing highways, Daoyue is also subject to the various other environmental regulations.

Mr. Chen Kai Shu, one of our Directors, is responsible for environmental protection related aspects of the Sui-Yue Expressway (Hunan Section). Please see the section headed "Directors — Executive Directors — Mr. Chen Kai Shu" for his qualification and industry experience. We also engage Research Institute of Transportation of Hunan Province (湖南省交通科學研究院) to compile environmental supervision and examination report quarterly and annually, and to compile a conclusion report upon completion of all construction work.

Based on the original dual two-lane standards of the Sui-Yue Expresway (Hunan Section), Daoyue has duly undertaken the legal procedures required under the environmental protection laws and regulations, including compiling the environmental impact assessment report, the plan on conservation of water and solid, the risk assessment report of geological disasters and the earthquake safety evaluation report, all of which have been replied and confirmed by the competent authorities. As the number of lanes of the Sui-Yue Expressway (Hunan Section) has been approved by the authorities to change to dual three-lane, Daoyue has commissioned the Research Institute of Highway of the MOT (交通部公路科學研究所) to compile a revised environmental impact assessment report based on the dual three-lane standards. We have obtained the approval on the revised report from the Hunan Provincial Environmental Protection Bureau on November 23, 2009.

We have received a confirmation letter issued by the Hunan Provincial Environmental Protection Bureau dated June 1, 2009 confirming that Daoyue has at all times implemented the PRC environmental law, regulations and policies since its establishment and that, up to the date of issuance of the confirmation letter, Daoyue has neither committed any act that violates any environmental law and regulations, nor has been subject to any administrative penalty due to environmental issues. Our PRC Legal Advisers have advised us that they have not found any violation by Daoyue of the applicable environmental law and regulations since June 1, 2009 to June 30, 2009.

Going forward, we will strive to ensure compliance of the relevant environmental protection laws and regulations to manage any potential future risks. If necessary, we will design, build and commission the facilities for the purpose of pollution prevention and control at the same time with the principal construction of the Sui-Yue Expressway (Hunan Section) project, and will apply for completion checking of the environmental protection facilities with the Hunan Provincial Environmental Protection Bureau and the Hunan Transportation Department in due course.

LEGAL COMPLIANCE

As disclosed in this "Business" section, we have yet to obtain the acceptance certificate and the allocated land use rights certificates with respect to the Sui-Yue Expressway (Hunan Section) as the Sui-Yue Expressway (Hunan Section) is still under construction and we are only required to apply for these certificates once the construction of the expressway is completed. We also need to obtain the land use rights certificates with respect to the land for the construction of toll stations and service area, and our PRC Legal Advisers have advised us that there is no legal impediment for us to obtain such certificates.

We carried out preparation-stage construction work prior to obtaining approval for commencement of construction work and approval for of the revised environmental impact assessment report based on the dual three-lane standards. We have obtained these approvals in September and November 2009, respectively. To prevent re-occurrence of similar events in the future, we will (1) organize staff training sessions for our relevant staff to raise awareness on the importance of internal legal compliance and risk management; and (2) prepare internal control procedures to include specific approval and management procedures for the existing and new projects.

Save as disclosed herein, our PRC Legal Advisers have advised us that our Group (including Daoyue) has since its establishment complied with all applicable PRC laws and regulations and not been in material violation of any applicable PRC laws, regulations and policies.

COMPLIANCE WITH RULE 8.05B OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Under Rule 8.05B(2) of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may be varied or waived by the Stock Exchange if the issuer is a newly formed "project" company which is able to demonstrate to the satisfaction of the Stock Exchange the factors set out in Rule 8.05B(2), including, among other things, that:

- (a) it (or through its subsidiaries or joint venture companies) is a party to and has the right to build and operate (or participate in the results from the operation of) any particular infrastructure project(s);
- (b) at the time of listing, it is not engaged in any businesses other than those stipulated in the infrastructure project mandate(s) or contract(s);
- (c) the infrastructure project(s) must be carried out under a long term concession or mandate which should normally have at least 15 years remaining in each concession or mandate at the time of listing awarded by government and be of a substantial size under which the share of the total capital cost of the projects by the applicant should normally be at least HK\$1 billion;
- (d) where it is involved in more than one project, the majority of its projects are in the preconstruction or construction stage;
- (e) the bulk of the proceeds of the offering will be used to finance the construction of the project(s) and not principally to repay indebtedness or to acquire other non-infrastructure assets;
- (f) it will not and will procure its subsidiaries or joint venture companies not to acquire any other type of assets or engage in such activity which will result in a change of business from those stipulated in the infrastructure project mandate(s) or contract(s) in the first three years after listing;

- (g) its substantial shareholders and management have the necessary experience, technical expertise, track record and financial strength to carry out the project(s) to completion and to operate it/them thereafter. In particular, its directors and management must have sufficient and satisfactory experience of at least three years in the line of its business and industry, and details of such expertise and experience must be disclosed in its listing document; and
- (h) such additional information, including business valuations, feasibility studies, sensitivity analyses and cash flow projections, as the Stock Exchange may at its discretion require, will be included in its listing document.

Our Directors take the view that we complied with each specific requirement under Rule 8.05B(2) of the Listing Rules above based on the following:

- (a) Daoyue, a subsidiary and the primarily operating entity of our Group in the PRC, was formed to construct a major infrastructure project, namely, the Sui-Yue Expressway (Hunan Section) project, pursuant to the Concession Agreement. As confirmed by our PRC Legal Advisers, Daoyue is a party to the Concession Agreement and has the right to build and operate the Sui-Yue Expressway (Hunan Section) project, as required under Rule 8.05B(2)(a);
- (b) as mentioned in the paragraph headed "Business Overview" in this section, our Company is not engaged in any businesses other than those stipulated in the Concession Agreement, as required under Rule 8.05B(2)(b);
- (c) pursuant to the Concession Agreement, the Sui-Yue Expressway (Hunan Section) project is carried out under a long term concession for 27 years (excluding the construction period), awarded by the Hunan Transportation Department and of a substantial size where our Company's share of the total capital cost of the project is estimated to be approximately RMB1.717 billion (equivalent to approximately HK\$1.95 billion), as required under Rule 8.05B(2)(c);
- (d) since we are only involved in one project (the Sui-Yue Expressway (Hunan Section) project) as at the Latest Practicable Date, Rule 8.05B(2)(d) is not applicable to us;
- (e) as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, the bulk of the proceeds of Share Offer will be used to finance the construction of the Sui-Yue Expressway (Hunan Section) project and not principally to repay indebtedness or to acquire other non-infrastructure assets, as required under Rule 8.05(2)(e);
- (f) our Company confirms that it will not and will procure its subsidiaries or joint venture companies not to acquire any other type of assets or engage in such activity which will result in a change of business from those stipulated in the Concession Agreement in the first three years after Listing, as required under Rule 8.05(2)(f);

- (g) the substantial shareholders and management of the Company have the necessary experience, technical expertise, track record and financial strength to carry out the Sui-Yue Expressway (Hunan Section) project to completion and to operate it thereafter, as required under Rule 8.05B(2)(g). In particular:
 - (1) our management team has been involved in the Sui-Yue Expressway (Hunan Section) project since the project's initiation. Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing and Ms. Mao Hui, all of whom are our Directors, have been involved in the Sui-Yue Expressway (Hunan Section) project at different points in time since the project's initiation in 2003. For further information of our Directors' experience and technical expertise, see the section headed "Directors, Senior Management and Employees" in this prospectus; and
 - (2) with regard to the financing for the Sui-Yue Expressway (Hunan Section) project, a project loan representing approximately 64% of the total estimated investment cost for the project has been arranged. Taking account of the net proceeds which we may receive under the Share Offer, our Company shall have adequate funding for the capital contribution for the remaining approximately 36% of the total investment cost. In addition, the substantial shareholders of Daoyue confirmed that they have sufficient financial strength to carry out Sui-Yue Expressway (Hunan Section) project to completion and to operate it thereafter. Mr. Chan, our Ultimate Controlling Shareholder, is interested in 90.67% of the equity interest in Huayu Investment. The audited net assets and cash on hand of Huayu Investment as at December 31, 2008 were RMB931 million and RMB460 million, respectively, and the net operating cash flow of Huayu Investment for the year ended December 31, 2008 was RMB374 million. Further, Mr. Chan, through Huayu Investment and Fameluxe Investment Limited, holds 60% equity interest in the company operating Shuiguan Expressway. Fameluxe Investment Limited is wholly owned by Mr. Chan indirectly and holds 30% equity interest in the company operating Shuiguan Expressway while Huayu Investment holds another 30%. The unaudited net assets of Fameluxe Investment Limited as at December 31, 2008, after adjusting for the shareholder's loan from Mr. Chan as if it was share capital, was HK\$62 million. For details of Shuiguan Expressway, please refer to the section headed "Relationship with Ultimate Controlling Shareholder" in this prospectus; and
- (h) Parsons has been engaged by us as the traffic consultant to conduct a traffic and toll revenue study for the Sui-Yue Expressway (Hunan Section) project. The Traffic Consultant's Report issued by Parsons is contained in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited has been engaged by us to conduct a business valuation of the fair value of 100% equity interest in Daoyue. The business valuation report issued by Jones Lang LaSalle Sallmanns Limited is contained in Appendix III to this prospectus.

Based on the above, our Directors believe, and the Sponsor concurs with our Directors' view, that we are able to comply with Rule 8.05B(2) of the Listing Rules.

RISK MANAGEMENT

Please see the section headed "Risk Factors" in this prospectus for the risks involved in our operations. Our Directors confirm that, as at the Latest Practicable Date, there are no losses or claims resulting from the risks identified. The measures taken by our Group to manage the risks included: (1) contractual measure: we reviewed and ensured our contacts are diligent, complete and with proper risk allocation before signing; (2) engineering measure: we took necessary engineering measures based on the conclusions from the engineering reports such as the plan on conservation of water and solid, the risk assessment report of geological disasters and the earthquake safety evaluation report; and (3) we allocated the risks through invitation for tender for procurement and taking out insurance. We will also enhance our management of the risks through the following measures: (1) reinforce our control on our key constructions and mitigate any investment risk; (2) strictly control the progress of our key constructions to prevent delay; (3) provide risk management education to our employees, carry out risk audit, reinforce our information management and supervise the use of our capital; and (4) implement backup measures such as provision of reserves, progress backup measures and technical backup measures.

CONNECTED TRANSACTION

FINANCIAL ASSISTANCE UNDER RULE 14A.63 OF THE LISTING RULES

Pursuant to a guarantee provided by Huayu Investment (the "Huayu Investment Guarantee") dated April 30 2009, Huayu Investment provided a guarantee in favour of China Merchants Bank in order to secure the indebtedness of Daoyue under a loan agreement (the "Loan Agreement") dated April 30, 2009 between Daoyue and China Merchants Bank, including but not limited to, the principal sum of the term loan of RMB1.1 billion under the Loan Agreement (the "Loan"), any interest accrued thereon, fine for breach of contract and any related expenses. The interest rate applicable to the Loan is floating rate reset every 3 months according to the benchmark lending rate for a loan period over 5 years published by the People's Bank of China and adjusted downward by 10%. The Huayu Investment Guarantee was required by China Merchants Bank in connection with the Loan which was granted for the purpose of financing the construction of Sui-Yue Expressway (Hunan Section). Under the Loan Agreement, the term of the Loan is from May 8, 2009 to May 8, 2027. As at the Latest Practicable Date, the outstanding indebtedness owed by Daoyue under the Loan Agreement amounted to RMB300 million.

In order to terminate all reliance of Daoyue on Huayu Investment after the Listing, our Company will provide a guarantee ("Guarantee") in favour of China Merchants Bank to replace the Huayu Investment Guarantee within three months from the Listing. Our Company will not charge Daoyue or China Merchants Bank any fees in relation to the provision of the Guarantee.

In addition, under the Deed of Indemnity, our Controlling Shareholders have provided indemnities on a joint and several basis in respect of 10% (being the interest held by Huayu Investment in Daoyue) of any losses suffered by our Group pursuant to the Guarantee due to the default in repayment of the indebtedness by Daoyue under the Loan Agreement.

Daoyue is held as to 90% by us and 10% by Huayu Investment. Huayu Investment is controlled by Mr. Chan, a director and substantial shareholder of our Company. As Daoyue is our non-wholly owned subsidiary where our connected person, namely, Mr. Chan, is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of Daoyue's general meeting, Daoyue will become a connected person of our Company upon the Listing and the transaction under the Guarantee will constitute a connected transaction under the Listing Rules.

Our Directors believe that it is common practice in the PRC that the lending banks require the provision of corporate guarantees or other forms of security. Our Directors also believe that it is a normal commercial practice for a company within the group to provide guarantees in respect of bank loans of another member of the same group. After taking into account the common banking practice in the PRC, our Directors (including the independent non-executive Directors) and the Sponsor are of the view that such arrangements are on normal commercial terms, fair and reasonable and in our interest and our Shareholders' interest as a whole.

CONNECTED TRANSACTION

JOINT VENTURE CONTRACT

On February 28, 2009, Good Sign entered into the JV Contract with Huayu Investment which governs the interests of Good Sign and Huayu Investment in Daoyue and their respective entitlements to share in the future the profit of Daoyue. Pursuant to the JV Contract, the profit of Daoyue will be shared between Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue. Any risk and liabilities in relation to the operation of Daoyue shall be borne by Good Sign and Huayu Investment in proportion to their respective shareholdings in Daoyue. The term of the JV Contract is 50 years from December 22, 2006 to December 21, 2056 which is subject to extension upon approval by the relevant authority. On June 28, 2009, Good Sign and Huayu Investment entered into a supplemental agreement to the JV Contract ("Supplemental JV Contract") to amend certain clauses in the JV Contract to provide for the increase of registered capital in Daoyue. Pursuant to the Supplemental JV Contract, the registered capital of Daoyue was increased from RMB200 million to RMB600.95 million. Such increase of RMB400.95 million shall be contributed as to 90% by Good Sign and 10% by Huayu Investment. Good Sign and Huayu Investment shall each contribute 20% of their respective responsible proportion of contribution before obtaining the new business licence and the remaining 80% within two years after the issuance of the new business licence in compliance with the applicable laws and regulations. Good Sign and Huayu Investment have contributed 20% of the increased registered capital of Daoyue in August 2009 and such capital contributions have been duly verified by qualified PRC accountants in accordance with the PRC Company Law. Daoyue has obtained a new business licence on September 17, 2009. The balance of 80% of the increased registered capital of Daoyue is expected to be contributed by Good Sign and Huayu Investment within two years after the issuance of the new business licence. Please refer to the section headed "Business - The Sui-Yue Expressway (Hunan Section) - Joint Venture Arrangements" in this prospectus for further details of the JV Contract.

As our connected person, Mr. Chan, is indirectly holding 90.67% of the equity interest in Huayu Investment, Huayu Investment is an associate of Mr. Chan under the Listing Rules. Huayu Investment is also holding a 10% interest in, and is a substantial shareholder of Daoyue. Accordingly, Huayu Investment will become a connected person of our Company upon Listing. As such, the JV Contract as amended by the Supplemental JV Contract would, upon the Listing, constitute a connected transaction.

Our Directors and the Sponsor are of the view that the JV Contract as amended by the Supplemental JV Contract are in the ordinary and usual course of our business, on normal commercial terms and are fair and reasonable and in the interests of our shareholders as a whole.

Save as disclosed above, currently there is no other transaction between our Group and Daoyue which constitutes connected transactions under the Listing Rules. In addition, currently the Group has no plans to enter into any connected transaction with Daoyue after Listing. If our Group enters into any connected transaction with Daoyue in the future, our Company will comply with the relevant requirements under the Listing Rules.

ULTIMATE CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, the Ultimate Controlling Shareholder, through VIL, has a 100% interest in our Company. Immediately after the completion of the Share Offer, the Ultimate Controlling Shareholder will have 75% beneficial interest in our Company (assuming the Overallotment Option is not exercised) through VIL and will continue to be our Company's single largest and controlling shareholder.

In addition, the Ultimate Controlling Shareholder has a controlling interest in Huayu Investment through various companies wholly beneficially owned by him or in which he has a majority interest. Huayu Investment was established in 1993 and other than the Existing Projects (as defined below), its business scope includes real estate development and the development of medical and telecommunication technologies.

As at the Latest Practicable Date, other than his interest in Daoyue, the Ultimate Controlling Shareholder also has interests in other companies or projects which are engaged or otherwise invest in the business of construction and operation of expressways and toll roads in China. Such interests are mainly held by the Ultimate Controlling Shareholder indirectly through Huayu Investment. Details of such companies or projects ("Existing Projects") are set out below:

Name of company through which Huayu Investment participates in the Existing Project	Existing Project	Description of the Existing Project	Interest held by Huayu Investment and/or the Ultimate Controlling Shareholder (as the case may be)
Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路 有限公司)	building and operation of Shuiguan Expressway	Shuiguan Expressway	60%
Shenzhen Huayu Expressway Investment Company Limited (深圳市華昱高速公路 投資有限公司)	building and operation of Shuiguan Expressway Extension Line	Shuiguan Expressway Extension Line	60%
Shenzhen Huayu Qingping Expressway Company Limited (深圳華昱清平高速公路 有限公司)	building and operation of Shenzhen Qingping Expressway	an expressway linking the end of the Shuiguan Expressway Extension Line at Bulong/Longjing interchange in Shenzhen to Dongguan Gaoerfu Road in Dongguan ("Shenzhen Qingping Expressway")	100%

Name of company through which Huayu Investment participates in the Existing Project	Existing Project	Description of the Existing Project	Interest held by Huayu Investment and/or the Ultimate Controlling Shareholder (as the case may be)
Shenzhen Huayu Eastern Expressway Company Limited (深圳華昱東部 高速公路有限公司)	building and operation of Shenzhen Eastern Expressway	an 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滙處) in Shenzhen ("Shenzhen Eastern Expressway")	100%
Direct participation by Huayu Investment	project management for the development of Shahe Road	a road linking Bujisha Wan to Baohe Road in the Longgang district in Shenzhen ("Shahe Road")	100%
Direct participation by Huayu Investment	project management for the development of Hengping Road	a road linking the Hengping Exit (横坪出口) of the Shuiguan Expressway to the No. 15 Road in Longgang Town (龍崗鎮15號路) ("Hengping Road")	100%

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) ("Shenzhen Qinglong"). The equity interest in Shenzhen Qinglong is owned as to 30% by Huayu Investment, 30% by the Ultimate Controlling Shareholder through Fameluxe Investment Limited and 40% by Shenzhen Expressway Co., Ltd., a company listed on the main board of the Stock Exchange ("Shenzhen Expressway").

The investment cost of Shuiguan Expressway is approximately RMB840 million. As at the Latest Practicable Date, the board of directors of Shenzhen Qinglong is comprised of Mr. Chan, Ge Fei, Wang Peng Zhi, Gao Jiang Ping, Liu Ying, Zhu Yu Jie and Ying Zhi Quan. Other than Mr. Chan, none of the directors of Shenzhen Qinglong holds any of our management positions and there is no overlap of directors between Shenzhen Qinglong and us.

Shuiguan Expressway is a dual three-lane expressway with a total length of approximately 20.14 km. It has been opened to traffic since December 2001 and has a remaining concession period of 16 years. Its average daily revenue in year 2008 is approximately RMB1 million. For the year ended December 31, 2008, Shenzhen Qinglong recorded a revenue of approximately RMB368,187,352.

Shuiguan Expressway Extension Line

The project company undertaking 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 Huayu Investment and 40% by Shenzhen Expressway.

The investment cost of Shuiguan Expressway Extension Line is approximately RMB600 million. As at the Latest Practicable Date, the board of directors of Huayu Expressway Investment is comprised of Mr. Chan, Ge Fei, Wang Peng Zhi, Zhao Cui Xian, Liu Ying, Gao Jiang Ping and Zhu Yu Jie. Except Mr. Chan, none of the directors of Huayu Expressway Investment holds any of our management positions and there is no overlap of directors between Huayu Expressway Investment and us.

Shuiguan Expressway Extension Line is a dual three-lane expressway with a total length of approximately 5.25 km. It has been opened to traffic since July 2005 and has a remaining concession period of 16 years. Its average daily toll revenue in year 2008 is approximately RMB180,000. Huayu Expressway Investment recorded a revenue of approximately RMB65,477,747 for the year ended December 31, 2008.

Shenzhen Eastern Expressway

The project company undertaking 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 100% by Huayu Investment.

The investment cost of Shenzhen Eastern Expressway is expected to be approximately RMB6.0 billion. As at the Latest Practicable Date, the board of directors of Huayu Eastern is comprised of Mr. Chan, Chen Hong Bo, Wang Peng Zhi, Xie Yong Sheng, Liu Ying, Chen Ping and Li Cui Ling. Other than Mr. Chan, none of the directors of Huayu Eastern holds any of our management positions and there will not be an overlap of directors between Huayu Eastern and us.

It is expected that Shenzhen Eastern Expressway will be a dual three-lane expressway with a total length of approximately 31 km. The concession period under the relevant concession agreement is 28 years (including construction period) and construction is expected to commence within the coming three months. As Shenzhen Eastern Expressway has not yet been opened to traffic, no financial information is available.

Shenzhen Qingping Expressway

The project company undertaking 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 Huayu Investment.

The investment cost of Shenzhen Qingping Expressway is expected to be approximately RMB1.85 billion. As at the Latest Practicable Date, the board of directors of Huayu Qingping is comprised of Mr. Chan, Chen Hong Bo, Wang Peng Zhi, Xie Yong Sheng, Liu Ying, Chen Ping and Chen Hong Tao. Other than Mr. Chan, none of the directors of Huayu Qingping holds any of our management positions and there is no overlap of directors between Huayu Qingping and us.

It is expected that Shenzhen Qingping Expressway will be a dual three-lane expressway with a total length of approximately 12.76 km. The concession period is expected to be 25 years subject to the final approval of the relevant authority and construction is expected to commence within the coming three months. As Shenzhen Qingping Expressway has not yet been opened to traffic, no financial information is available.

Shahe Road Project

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 Shahe Road for fees and capital raising, project supervision and coordination of Shahe Road are undertaken by Shenzhen Longgang District Land Reserve Development Centre. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Shahe Road project. None of the members of the management team of the Shahe Road project holds any of our management positions.

Shahe Road is currently under construction and is expected to be completed in July 2010. It is expected that the total length of Shahe Road will be approximately 17.1 km. As Shahe Road has not yet been opened to traffic, no financial information is available. Further, as apart from the fees, Huayu Investment does not hold any interest in the Shahe Road project, it is not in a position to obtain the financial information of Shahe Road from Shenzhen Longgang District Land Reserve Development Centre.

Hengping Road Project

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 for fees and the capital raising, project supervision and coordination of the Hengping Road project are undertaken by Shenzhen Longgang District Expressway Bureau. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Hengping Road project. None of the members of the management team of the Hengping Road project holds any of our management positions.

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 be completed in late 2010. The total length of Hengping Road is approximately 50.37 km. As apart from the fees, Huayu Investment does not hold any interest in the Hengping Road project, it is not in a position to obtain the financial information of Hengping Road from Shenzhen Longgang District Expressway Bureau.

Reasons for excluding the Existing Projects from the Group

The Sui-Yue Expressway (Hunan Section) is in construction stage and requires financing. In this regard, the Listing is an appropriate means for the Group to raise equity financing for the construction of it. The Sui-Yue Expressway (Hunan Section) is located in Hunan Province while the Existing Projects are located elsewhere, namely, Shenzhen. As the geographic coverage of Sui-Yue Expressway (Hunan Section) and the Existing Projects are entirely different and their routing are also unrelated, the Directors consider that none of the Existing Projects are directly or indirectly, in actual or potential competition with the Group's business. In addition, the Existing Projects are in different stages of development, operation, circumstances and financing needs compared to the Sui-Yue Expressway (Hunan Section). For instance, in respect of Shuiguan Expressway and Shuiguan Expressway Extension Line, the transfer of equity interest held by Huayu Investment and/or Fameluxe Investment Limited in Shenzhen Oinglong and Huayu Expressway Investment respectively would require the consent of Shenzhen Expressway according to the relevant PRC laws and regulations. As at the Latest Practicable Date, Shenzhen Eastern Expressway and Shenzhen Qingping Expressway have not yet been approved by the Guangdong Provincial Development and Reform Commission. Our Directors expect that both of these Existing Projects would require heavy capital resources and involve a significant management resources. Our Directors believe that at present, our Group's capital and management resources would be better spent on the Sui-Yue Expressway (Hunan Section) project. The Shahe Road Project and Hengping Road Project are clearly

delineated from the business of our Group as they are of project management nature whereas the business of our Group is to invest, build, operate and manage infrastructure projects. Further, transfer of the right to manage the construction of Hengping Road Project would require the approval of the local government of Shenzhen Longgang District. As such, the Existing Projects are not included in the Group.

Save as disclosed above, none of our Controlling Shareholders or any of our Directors have any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly with our Group's business.

To ensure that direct competition does not develop between the activities of our Group and those of our Controlling Shareholders and Huayu Investment, our Controlling Shareholders and Huayu Investment have entered into the Deed of Non-competition in our favour, which is described in the section below.

NON-COMPETITION UNDERTAKINGS

The Controlling Shareholders and Huayu Investment (the "Convenantors" and each a "Covenantor") have entered into the Deed of Non-competition dated November 30, 2009 in favour of our Company, pursuant to which each of them has undertaken to our Group that he or it would not, and would procure that his or its respective associates (other than any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time in any part of China (other than the Existing Projects) (the "Restricted Business"). Such non-competition undertaking does not apply:

- (a) where any opportunity to invest, participate, be engaged in and/or operate with a third party or together with the Covenantors (or any of them) and/or their associates any Restricted Business has first been offered or made available to our Company, which offer should include the following information:
 - (i) terms of offer between our Company and such third party, or
 - (ii) terms for our Company to engage in the Restricted Business with the Covenantors (or any of them) and/or on their associates,

and our Company, after review and approval by the independent non-executive Directors and subject to compliance with relevant procedures as set out in the Listing Rules (if any), has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantors (or any of them), provided that the principal terms by which any Covenantor (and/or their respective associate(s)) subsequently invests, participates, engages in or operates the Restricted Business shall not be more favourable than those offered to our Company;

- (b) if our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantors and/or their associates (or any of them, as the case may be), pursuant to (a) above, the Covenantors and/or their associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company, provided that the Listing Rules and the requirements of the Stock Exchange are complied with;
- (c) to having interests in the shares or other securities of another company which are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Covenantor(s) and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantor(s) and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantor(s) and their respective associates in aggregate; or
 - (iii) the Covenantor(s) and/or their respective associates do not have control over the majority of the members of the board of directors of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed and are traded on the Main Board of the Stock Exchange; and (ii) the Covenantors individually or collectively are entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company.

Pursuant to the Deed of Non-competition, the Covenantors have further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity relating to the Restricted Business (the "New Opportunity") identified by or offered to the Covenantors and/or any of their associates (the "Offeror") is first referred to us in the following manner:

- (a) The Covenantors are required to, and shall procure their associates to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "Offer Notice").
- (b) The Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 90 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice and collection of all necessary information, we will seek opinions and decisions from a committee of our Board consisting of directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with our core business; and (b) whether it is suitable and beneficial for the Group and in the interest of our Shareholders as a whole to pursue the New Opportunity.

In particular, the Directors will take into account the principal factors and considerations set out below to decide whether to pursue or decline the New Opportunity:

- (i) whether pursuing the New Opportunity is in line with the business development strategy of our Group;
- (ii) whether the plans and development of the New Opportunity are compatible with the business focus of our Group;
- (iii) the operating history, feasibility and compliance issues of the New Opportunity;
- (iv) whether the terms offered by the Offeror are fair and reasonable by reference to the market conditions at the relevant time;
- (v) the impact of pursuing the New Opportunity on earning and liabilities of our Group;
- (vi) the extent of management and control over the New Opportunity; and
- (vii) whether the New Opportunity is a business in competition with the Group and the effect on the Group if not pursuing the New Opportunity.

The Directors believe that the above referral arrangement, in relation to any New Opportunity pursuant to the Deed of Non-competition, will function effectively to manage competition issues and protect minority interests as the decision to pursue or decline such New Opportunity will be made solely by the Directors and independent shareholders (where required by the Listing Rules) who do not have a material interest in such New Opportunity and who will make decisions in the best interests of our Company and its Shareholders as a whole after considering the competition issues.

Further undertakings

Pursuant to the Deed of Non-competition, the Covenantors have further undertaken to:

- (a) provide all information necessary for the annual review by the independent non-executive Directors of our Company and the enforcement of the Deed of Non-competition; and
- (b) make an annual confirmation in relation to the compliance with the Deed of Non-competition in the annual reports of our Company.

INDEPENDENCE FROM THE ULTIMATE CONTROLLING SHAREHOLDER

The Directors believe that our Group is capable of carrying on its business independently of the Ultimate Controlling Shareholder after the Listing in view of the factors set out below:

Management Independence

The Board comprises of eight executive Directors and three independent non-executive Directors. The Ultimate Controlling Shareholder, being a Director, has no relationship with any of the other Directors.

Currently, only one out of eleven Directors, namely Mr. Chan, is also a director and the chairman of Huayu Investment. Apart from Mr. Chan, the management of Huayu Investment is carried out by persons other than those who are Directors or members of the senior management team of our Group. Apart from Mr. Chan, no other Directors have any directorship in any companies beneficially owned or controlled by Mr. Chan.

The Board considers that despite the fact that Mr. Chan has concurrent directorship in our Company and Huayu Investment, the Board is still capable of functioning independently from Huayu Investment or other entities beneficially owned or controlled by Mr. Chan for the following reasons:

(a) apart from Mr. Chan, the remaining ten Directors do not hold any position in Huayu Investment. Of these ten Directors, seven are executive Directors and three are independent non-executive Directors. It is the Board as a whole instead of individual Directors which makes decisions for our Company;

- (b) Mr. Chan has confirmed that he will devote sufficient time and resources to perform his duties as Director. It is expected that Mr. Chan will devote not less than 50% of his time to the management of our Company;
- (c) each of the Directors, including Mr. Chan, is fully aware that in his or her capacity as a Director, he or she owes fiduciary duties towards our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her other personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and Huayu Investment or another company in which any of the Directors or their respective associates is interested, the interested Director(s) shall abstain from voting on the relevant resolution at the board meeting(s) of our Company on which such transactions are discussed and shall not be counted towards the quorum; and
- (d) all members of the senior management team of our Company are full time employees, and carry out the business decisions of our Company independently from Huayu Investment or other entities beneficially or controlled by Mr. Chan. None of them hold any position in Huayu Investment or other entities beneficially or controlled by Mr. Chan.

Operational Independence

Our Group has an established organisational structure, comprised of various separate departments each charged with specific responsibilities. Our Group also has independent access to, among others, contractors, technical consultants, suppliers or construction materials and other resources required for the Group's business.

The Directors confirmed that our Group has no plans to enter into any continuing connected transactions with Huayu Investment or other entities beneficially owned or controlled by Mr. Chan after Listing which will affect the Group's operational independence.

As the project company of Sui-Yue Expressway (Hunan Section), Daoyue, was not yet established at the time of the signing of the Initial Concession Agreement, it is provided in the Initial Concession Agreement that Huayu Investment, in which the Ultimate Controlling Shareholder has a controlling interest, shall bear the same obligations as Daoyue. In order to streamline Daoyue's rights under the concession, Daoyue and the Hunan Transportation Department entered into the Concession Agreement on November 24, 2009 pursuant to which Daoyue is expressly and exclusively granted the concession right of 27 years (excluding construction period) to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section). The Initial Concession Agreement was terminated on November 24, 2009 when the Concession Agreement became valid and effective.

Accordingly, the Directors consider that the Group's business operations are completely independent from that of Huayu Investment or other entities beneficially owned or controlled by Mr. Chan.

Financial Independence

Our Group has established our own internal control and accounting systems, and our own finance department to carry out independent treasury function for cash receipts and payments. Our Group also has independent access to third party financing and makes financial decisions according to its own business needs. Further,

- (a) all amounts due to and from Mr. Chan or entities beneficially owned or controlled by him to our Group have been repaid, released in full or otherwise ceased to be amounts due to or from Mr. Chan or entities beneficially owned or controlled by him as at the Latest Practicable Date; and
- (b) all amounts due to and from related parties have been fully settled as at the Latest Practicable Date; and
- (c) all guarantees provided by Mr. Chan or entities owned or controlled by him in favour of our Group will be released within three months after the Listing.

As such, the Directors consider our Group as financially independent from that of our Controlling Shareholders, Huayu Investment or other entities beneficially owned or controlled by Mr. Chan.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage any conflict of interests arising from the competing business of the Ultimate Controlling Shareholder and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertakings as set out in the Deed of Non-competition by the Covenantors;
- (ii) pursuant to the Deed of Non-competition, the Covenantors have undertaken to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company; and
- (iv) the Covenantors will make an annual confirmation in relation to compliance with the Deed of Non-competition in the annual reports of our Company.

DIRECTORS

Executive Directors

Mr. Chan Yeung Nam (陳陽南) (formerly known as Chan Yeung Nam (陳洋南)), aged 54, is our Chairman. Mr. Chan is the founder of our Group and was appointed an executive Director on April 21, 2009. He is also the chairman of the board of directors of Daoyue and a director of Good Sign, Bright Regent and Top Talent. Since the establishment of Daoyue, Mr. Chan has been responsible for the overall management, development and planning of our Group. He is also responsible for assessing and analyzing investment opportunities involving other infrastructure projects when they arise. In the future, he is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake. He graduated from the Sun Yat-Sen University (中山大學) in Chinese in August 1977. He was the director of the General Office of the Department of General Administration of the Shenzhen Municipal People's Government (深圳市人民政府辦公廳) from August 1991 to August 1992. Mr. Chan has more than 10 years' experience in the development, operation and management of highways. He has been the legal representative of Huayu Investment from 1994, which was then principally engaged in construction and real estate projects. In 1998, Huayu Investment started to participate in the Shuiguan Expressway project. Since then, Huayu Investment has been involved in the construction, management and operation of highway projects. From December 19, 2003 to June 29, 2007, Mr. Chan was an executive director of China Agri-Products Exchange Limited (formerly known as China Velocity Group Limited) (stock code: 0149), a company listed on the Main Board.

Mr. Mai Qing Quan (麥慶泉), aged 60, joined our Group in December 2006 and was appointed an executive Director on May 21, 2009. He is also a director of Daoyue. Currently, Mr. Mai is responsible for the communication and coordination between the relevant governmental bodies and our Company. In the future, he is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake. He graduated from Hunan Normal College (湖南師 範學院, currently part of Hunan Normal University (湖南師範大學)) in July 1976. Upon graduation, he worked as a teacher in Hunan No. 6 Engineering Company School (湖南省第六工程公司學 校) from 1976 to 1983. Mr. Mai then joined the Education Bureau of the Shenzhen Municipality in September 1984 and had worked in the government and a social organization for an aggregate of approximately 19 years. He was the vice district head of Longgang District in Shenzhen from November 1996 to August 2001, responsible for culture and sports related work. He was appointed as the vice chief officer of Huayu Investment in May 2005, responsible for managing the investment, construction and operation of expressway projects. He had been in charge of the construction and internal and external co-ordination of Shuiguan Expressway Extension Line, Shenzhen Qingping Expressway, Shenzhen Hengping Road and Shenzhen Shahe Road. He had been a member of the 11th National People's Congress, a delegate of the 3rd Committee of the Shenzhen Municipality of the Chinese People's Political Consultative Conference, the president of Shenzhen Social Welfare Fund Association (深圳市社會福利基金會), the honorary chairman of Shenzhen Guiqiao Qiaojuan Entrepreneurs Association (深圳市歸僑僑眷企業家聯合會) and the special inspector of the PRC Ministry of Public Security (中華人民共和國公安部).

Mr. Chen Kai Shu (陳開樹), aged 48, joined our Group in March 2009 and was appointed an executive Director on May 21, 2009. He is also a director of Good Sign and Daoyue. Since February 1, 2009, Mr. Chen has been responsible for road greening, soil and water preservation and environmental protection in the Sui-Yue Expressway (Hunan Section) project. In the future, he will continue to be responsible for environmental protection related aspects of the Sui-Yue Expressway (Hunan Section) when it commences operation. In addition, he is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake. He graduated from Beijing Forestry College (北京林學院, currently part of Beijing Forestry University (北京 林業大學)) in forestry in July 1982. Mr. Chen has an aggregate of over 16 years of experience in greening and environmental protection. He worked in Shenzhen Garden Head Ouarter Company (深 圳市園林集團有限公司) from August 1982 to September 1986 responsible for garden greening. He had formerly been the vice director of the management division in Shenzhen Donghu Park (深圳市 東湖公園管理部) from September 1986 to October 1992, and the vice director in the management division in Shenzhen Wutongshan Scenery Area (深圳梧桐山風景區管理處) from August 2002 to November 2008. He was responsible for greening, environmental protection, soil and water preservation and construction safety for these two positions. He was also a general manager at the Shenzhen Donghu Greenery Engineering Company (深圳市東湖園林工程公司) responsible for general management from December 1993 to December 2001.

Mr. Fu Jie Pin (符捷頻), aged 42, joined our Group in December 2006 and was appointed an executive Director on May 21, 2009. He is also a director of Daoyue, Good Sign, Bright Regent and Top Talent. Since the establishment of Daoyue, Mr. Fu has been responsible for project investment analysis, commercial negotiation and coordination and investment capital operation. He will continue to be responsible for further financing of the Sui-Yue Expressway (Hunan Section) project as the operation may require and is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake in the future. He graduated from Sun Yat-Sen University (中山大學) with a bachelor's degree in electronics and information system in July 1989. Mr. Fu was the general manager of Beijing Huayu Anran Medicine Technology Company Limited (北京華昱安然醫藥科技有限公司) from March 2003 to July 2009 and Shenzhen Huayu Trading Development Company Limited (深圳市華昱貿易發展有限公司) from March 2003 to July 2009, responsible for management and business negotiations. He was also the general manager of Shenzhen Huayu Telecommunication Equipment Development Company Limited (深圳市華昱電信設備發展有限公司) from March 1998 to July 2009, responsible for management and maintenance work of expressway electronic toll collection system⁽¹⁾.

Note:

Beijing Huayu Anran Medicine Technology Company Limited has 70% of its equity capital owned by Shenzhen Anrancheng Industry Development Company Limited. Shenzhen Anrancheng Industry Development Company Limited has 8% of its equity capital owned by Shenzhen Huayu Trading Development Company Limited.

Shenzhen Huayu Trading Development Company Limited has 40% of its equity capital owned by Shenzhen Huayu Telecommunication Equipment Development Company Limited and 60% by Ms. Liu Ying for the benefit of Mr. Chan.

Shenzhen Huayu Telecommunication Equipment Development Company Limited has 80% of its equity capital owned by Huayu Investment.

He worked as the chief financial controller in Huayu Investment from September 2004 to March 2009, responsible for management of finances, capital operation, and investment analysis of projects including Shuiguan Expressway, Shenzhen Qingping Expressway, Shenzhen Eastern Expressway, Shenzhen Hengping Road and Shenzhen Shahe Road. From December 2003 to February 12, 2009, Mr. Fu was an executive director of China Agri-Products Exchange Limited (formerly known as China Velocity Group Limited) (stock code: 0149) which is a company listed on the Main Board.

Mr. Chen Min Yong (陳民勇), aged 40, joined our Group in December 2006 and was appointed an executive Director on May 21, 2009. He is also a director and a vice general manager of Daoyue. Mr. Chen is responsible for project development and the establishment of the toll collection system for the Sui-Yue Expressway (Hunan Section). During the preliminary stage of the Sui-Yue Expressway (Hunan Section) project, he was responsible for the project's coordination and the setting up of the toll collection system. In the future, he will be responsible for overseeing the operation of the toll collection management system when the Sui-Yue Expressway (Hunan Section) commences operation. He graduated from Chongging Institute of Architectural Engineering (重慶建築工程學院, currently part of Chongqing University (重慶大學)) with a bachelor's degree in engineering major in construction material and product in July 1991. He completed a graduate program at Changsha Communications Institute (長沙交通學院) major in transportation and management in June 2001. Mr. Chen has an aggregate of approximately 11 years of experience in operation and management of highway projects. He worked as an assistant engineer in Beijing Pre-fabricated Concrete Products No.2 Factory (北京市砼制品二廠), before joining Road King Infrastructure Management Limited (路勁基建管理有限公司) as an engineer in June 1994. Mr. Chen was a manager in Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited (深圳機荷高速公路東段有限公 司) from October 1997 to October 1999. He was the vice general manager in Shenzhen Oinglong Expressway Company Limited (深圳清龍高速公路有限公司) (formerly known as Shenzhen Longcheng Xing Yuan Industry Company Limited (深圳龍城星源實業有限公司)) from November 1999 to September 2004, responsible for setting up and managing the toll collection system and traffic management for Shuiguan Expressway. He was also the vice chief commander in Shuiguan Expressway Extension Line from January 2002 to September 2004, responsible for construction management and the setting up of the toll system. Between October 2004 and March 2009, Mr. Chen was the vice general manager of the road asset management department in Huayu Investment.

Mr. Zhang Bo Qing (張博慶), aged 45, joined our Group in January 2009 and was appointed an executive Director on May 21, 2009. He is also a vice general manager of Daoyue. Mr. Zhang is responsible for on-site management and project coordination in the Sui-Yue Expressway (Hunan Section) project. In the future, he is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake. He graduated from a graduate training scheme major in bridges and tunnel engineering from South West Jiaotong University (西南交通大學) in April 1993. Mr. Zhang is a senior civil engineer accredited by Guangdong Province Personnel Bureau (廣東省人事廳) and has approximately 9 years of experience in site management of road construction projects. Prior to joining our Group, Mr. Zhang was a lecturer in Shijiazhuang Railway Institute (石家莊鐵道學院) for approximately 14 years. From September 1999 to May 2002, he worked as a project manager in Shenzhen Roads and Bridges Construction Group Company Limited

(深圳市路橋建設集團公司), responsible for road construction and alteration of roads and bridges. From August 1999 to December 2008, he worked as the general manager of the project construction department, the mine production department and the Shenzhen Qingping Expressway project in Huayu Investment. He was responsible for the on-site management and project coordination.

Mr. Yue Feng (岳峰) (formerly known as Yue Zong Dai (岳宗岱)), aged 66, joined our Group in May 2009 and was appointed an executive Director on May 21, 2009. Mr. Yue is responsible for liasing with the relevant governmental bodies and third parties in relation to road design. In the future, he is expected to have similar responsibilities with respect to other infrastructure projects our Group may undertake. He graduated from Liaoning College of Communications (遼寧交通學 院) in vehicle techniques application and reparation in August 1963 and graduated from the Chinese Communist (Jilin Province) College (中共吉林省委黨校) in a correspondence course in political work in August 1988. Mr. Yue is a senior engineer accredited by the Shenzhen Transport Engineering Personnel High Level Committee of Professional and Technical Qualification (深圳市交通工程 技術人員高級專業技術資格評審委員會) on December 25, 1993. He was also the vice secretary level inspector of the Shenzhen Municipal Transportation Bureau (深圳市交通局) responsible for consultation for traffic and road planning from February 2002 to June 2002. From 1996 to 2009, Mr. Yue was the head of Shenzhen Transportation Construction Engineering Expert Group (深圳 市交通建設工程專家組), organizing and taking part in evaluation and examination of various transportation construction projects. In February 2002, he was appointed as the president of the Shenzhen Road Association (深圳市公路協會).

Ms. Mao Hui (毛惠), aged 33, joined our Group in December 2006 and was appointed an executive Director on May 21, 2009. Ms. Mao was appointed as the chief financial controller of Daoyue in 2006, responsible for the finances, internal and external coordination and public relations of Daoyue. She graduated from Hunan College of Economics and Finance (湖南財經學院) with a degree in bachelor of economics in financial accounting in July 1998. She then obtained her master's degree in management in accounting from Hunan University (湖南大學) in June 2007. Ms. Mao has gained approximately 10 years of experience in financial management. She held senior positions in the hotel group under Huatian Industrial Holdings Limited (華天實業控股集團有限公司) from July 1998 to July 2004 as accountant, the head of accounting department and finance manager. From July 2004 to December 2006, she worked as the director of the Hunan general office and the chief financial controller in Huayu Investment.

Independent non-executive Directors

Mr. Sun Xiao Nian (孫小年) (formerly known as Sun Xian Nian (孫曉年)), aged 45, joined our Group in May 2009 and was appointed an independent non-executive Director on May 21, 2009. He obtained his master's degree in automobiles and transport from Jilin University of Technology (吉林工業大學, currently part of Jilin University (吉林大學)) in July 1988 and further obtained his doctor's degree in transportation planning and management from Tongji University (同濟大學) in May 2007. He is a senior engineer of professor's level accredited by the Guangdong Province Personnel Bureau (廣東省人事廳) in March 2003 and a registered consulting engineer accredited by the Ministry of Personnel of the PRC (中華人民共和國人事部) in August 2004. Mr. Sun has taken part in nine research projects in construction planning of road network and road construction feasibility studies. He was formerly the general manager of the Guangdong Province Road Construction Consultation Company (廣東省公路工程諮詢有限公司) from March 2003 to March 2005. Mr. Sun was a member of the 6th China Road Association Standing Committee (中國公路學會第六屆理事會). Currently, he is the vice chief engineer and the head of the technical consultation centre of the China Academy of Transportation Sciences (交通部科學研究院).

Mr. Chu Kin Wang, Peleus (朱健宏), aged 45, joined our Group in May 2009 and was appointed an independent non-executive Director on May 21, 2009. He obtained his master's degree in business administration from the University of Hong Kong in 1998. Mr. Chu was admitted as a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants in January 1993. He was admitted as a fellow of the Association of Chartered Certified Accountants in May 1997, an associate of Hong Kong Institute of Company Secretaries in April 1996 and an associate of the Institute of Chartered Secretaries and Administrators in April 1996. Mr. Chu was previously the executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited) (stock code: 0905) from September 2005 to March 2007. Currently, Mr. Chu has directorships in the following companies. These companies are all listed on the Main Board:

Company	Position
Chinese People Holdings Company Limited (stock code: 0681)	Executive Director
Bright Prosperous Holdings Limited (formerly known as Magnesium Resources Corporation of China Limited) (stock code: 0723)	Independent Non-Executive Director
Eyang Holdings (Group) Company Limited (stock code: 0117)	Independent Non-executive Director, Chairman of the Audit Committee

Mr. Chu has confirmed that he will not be involved in the daily management of our Group's business. His role in our Group is non-executive in nature and will not require his full-time participation. Having extensive experience in being responsible for different positions as well as skills in time management, Mr. Chu has further confirmed that he will have sufficient time to discharge his duties to our Group.

Mr. Hu Lie Ge (胡列格), aged 56, joined our Group in May 2009 and was appointed an independent non-executive Director on May 21, 2009. He graduated from Changsha Communications Institute (長沙交通學院) in Mathematical Mechanics in 1981. He obtained his master's degree in engineering in Changsha Communications University in 1987 and completed a graduate course in the same year in Probability Theory and Mathematics Statistics at Changsha Railway University (長沙鐵道學院, currently part of Central South University (中南大學)). He has participated in a project called "Planning for the Road Network of Hunan Province (1991-2020)" (湖南省公路網規劃) which was given the 2nd class Technology Advancement Award by the Technology Advancement Award Evaluation Committee of the Hunan Province (湖南省科學技術進步獎評審委員會) in October 1996. He also received the special subsidy by the PRC State Council to recognize his contribution in education in 1997. Mr. Hu was previously Head of the College of Transportation and Communications (交通運輸學院) in Changsha University of Science and Technology (長沙理工大學) in 2004 and 2005. Currently, Mr. Hu is a member of Hunan Province Committee for Facilitation of the Development of the Logistics Industry (湖南省促進物流業發展專家委員會).

Mr Hu has confirmed that he will not be involved in the daily management of our Group's business. His role in our Group is non-executive in nature and will not require his full-time participation. Mr. Hu has further confirmed that his current obligations of giving lectures and research will not have time clashes with his duties to our Group, and hence he will have sufficient time to discharge his duties to our Group.

Save as disclosed, each of our Directors confirms with respect to him or her that: (i) he or she has not held any directorships, current or past, since the beginning of the Track Record Period up to the date of this prospectus in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas; (ii) he or she is not related to any other Director, senior management or substantial or controlling shareholders of our Company; (iii) there is no information to be disclosed for him or her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) there are no other matters that need to be brought to the attention of holders of securities of our Company; and (v) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

SENIOR MANAGEMENT

Mr. Gan Xian Hui (甘先會), aged 40, joined our Group in January 2008 and was appointed the chief contract budget controller of Daoyue in January, 2008. Since he joined our Group, he has been responsible for controlling contract budget and organization of invitations to tender. He graduated from Xian Institute of Metallurgy and Construction (西安冶金建築學院) (currently known as Xian University of Architecture and Technology (西安建築科技大學)) with a bachelor's degree in engineering major in industrial and civil architecture in July 1993. Mr. Gan has approximately 10 years of experience in the management of construction projects. From July 1993 to July 1994, he worked in the technical division of the Shijiuye Construction Materials Company (十九冶建材公司). From May 1995 to December 2001, Mr. Gan was the on-site engineer responsible for the onsite construction management of the Shuiguan Expressway. From January 2002 to April 2005, he was the construction management. From May 2005 to July 2007, he was the general manager of the project management department of the Shahe Road project; and from August 2007 to February 2009, the construction director of the Huayu group.

Mr. Chen Jing An (陳景安), aged 61, joined our Group in January 2008 and was appointed the chief engineer of Daoyue in January 2008. He is responsible for road construction design and technical management. Mr. Chen is a senior engineer major in railway engineering. Mr. Chen was appointed as a technical consultant for railway construction in the Beijing Underground Railway Construction Company (北京市地下鐵道建設公司) in 1993. He was appointed as a senior engineer in the second construction division in the Sixteenth Bureau of the PRC Ministry of Railways (中華人民共和國鐵道部第十六工程局第二工程處) in November 1996. He was the vice chief commander and senior engineer for Shuiguan Expressway from December 1998 to December 2001, responsible for the design and technical management of road construction. He was also the vice chief commander and chief engineer for Shenzhen Qingping Expressway from January 2002 to December 2005. From January 2006 to December 2007, Mr. Chen was the chief engineer of the road construction department in Huayu Investment responsible for project design, construction management and technical management.

Ms. Liu Dan Yi (劉丹宜), aged 49, joined our Group in December 2006 and was appointed the general manager of human resources and administration of Daoyue in January 2007. She is responsible for administration management, human resources management and back-office management. Ms. Liu obtained her master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in March 1988. From April 1988 to March 2000, Ms. Liu worked as the office manager and the secretary for the board of directors of China (Shenzhen) Education Enterprise Holdings Company Limited (中國 (深圳)教育企業股份有限公司). Between March 2000 and December 2007, she worked as the administration director and director of the chief executive officer's office for Huayu Investment.

COMPANY SECRETARY

Mr. Sin Ka Man (洗家敏), aged 42, joined our Group in February 2009 and was appointed our Company secretary on July 3, 2009. He is ordinarily resident in Hong Kong. He graduated from the University of Hong Kong with a bachelor's degree in social sciences in December 1989. He obtained his master's degree in finance from the University of Strathclyde in the United Kingdom in November 1993 and his master's degree in accounting from Curtin University of Technology in Australia in June 1998. He became an associate member of the Hong Kong Institute of Certified Public Accountants from January 1996, a fellow member of the Association of Chartered Certified Accountants from September 1997 and was admitted as a Certified Practising Accountant of the CPA Australia in December 2000. Mr. Sin has an aggregate of 11 years of professional experience in auditing, accounting and financial management. Mr. Sin trained and worked as an auditor at Ernst & Young (Hong Kong) between 1989 and 1994, before becoming Financial Controller at Super Zone Investments Limited from 1994 to 1996, Stime Watch MFG Co. Ltd. from 1996 to 1999 and Global Tech (Holdings) Ltd. in 2000. Between 2000 and 2002, Mr. Sin worked as Chief Financial Officer at Smart-Player.com Limited in Hong Kong. Mr. Sin acted as the company secretary of the China Agri-Products Exchange Limited (Formerly known as China Velocity Group Limited) (Stock code: 0149) from 2004 to 2009. He was previously an independent non-executive director of Shine Software (Holdings) Limited (stock code: 8270), a company listed on the Growth Enterprise Market ("GEM"), from September 2004 to August 2006. Mr. Sin is an independent non-executive director of each of LeRoi Holdings Limited (stock code: 0221) which is listed on the Main Board, Chinese People Holdings Company Limited (stock code: 0681) which is listed on the Main Board, Xtep International Holdings Limited (stock code: 1368) which is listed on the Main Board and Sino Haijing Holdings Limited (stock code: 8065) which is listed on the GEM of the Stock Exchange. Mr. Sin is a full time employee of our Group and he has confirmed that he will have sufficient time to discharge his duties to our Group.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are located in China, our Directors and the members of our senior management are and will therefore be expected to continue to be based in China. At present, only Mr. Chan, one of our executive Directors, and Mr. Sin Ka Man, our company secretary, are ordinarily resident in Hong Kong. Our Company has applied to the Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12. For details of the waiver, please see the section headed "Waiver from Strict Compliance with the Listing Rules — Management Presence" in this prospectus.

OUR GROUP'S RELATIONSHIP WITH STAFF

We recognise the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. We continue to provide training to our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on November 30, 2009 in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee include making recommendations to the Board on the appointment, reappointment and removal of the authorized independent auditors; reviewing the financial statements and significant financial reporting judgments in respect of financial reporting; oversight of internal controls of our Company. At present, the audit committee of our Company consists of three members, namely, are Mr. Chu Kin Wang, Peleus (being the chairman with professional qualifications in accountancy), Mr. Hu Lie Ge and Mr. Sun Xiao Nian.

Remuneration Committee

Our Company established a remuneration committee on November 30, 2009 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee include making recommendations to the Board on the Company's remuneration policy and structure relating to all Directors and senior management; reviewing and approving performance based remuneration; ensuring none of our Directors is involved in deciding their own remuneration. The remuneration committee consists of three members, namely, Mr. Hu Lie Ge, Mr. Chu Kin Wang, Peleus and Mr. Chen Kai Shu. Mr. Hu Lie Ge is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on November 30, 2009. The nomination committee consists of three members, comprising Mr. Sun Xiao Nian, Mr. Hu Lie Ge and Mr. Fu Jie Pin. The chairman of the nomination committee is Mr. Sun Xiao Nian. The primary functions of the nomination committee include making recommendations to the Board on the selection of individuals nominated for directorships.

REMUNERATION POLICY

Please see the section headed "Accountants' Report — C Notes to the Financial Information — 6 Directors' Remuneration" in Appendix I to this prospectus for the details of the Directors' remuneration for the Track Record Period. For the three years ended December 31, 2008, other than Ms. Mao Hui, none of our Directors has received salaries in order to enhance the capital base of our Group and facilitate our Group's expansion. After the Listing, our Directors will receive remuneration determined by reference to market rates as per the respective directors' service contracts.

The remuneration packages of our Directors and senior management will be reviewed from time to time after Listing.

COMPLIANCE ADVISER

Our Company will appoint Mizuho Securities Asia Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment of our compliance officer shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as we are aware, each of the following persons, other than a Director or chief executive of our Company will, immediately following completion of the Share Offer (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company:

			Approximate
			percentage
			of shareholding
			immediately
	Capacity/	Number of	after the Share
Name	Nature of interest	Shares	Offer
VIL	Beneficial owner	300,000,000	75%
Mr. Chan (1)	Interest in a controlled corporation	300,000,000	75%

Note:

Save as disclosed herein, the Directors are not aware of any person (other than a Director or chief executive of our Company) who will, immediately following the Share Offer, have an interest or short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

Mr. Chan holds 100% of the entire issued share capital of VIL and will be deemed to be interested in the 300,000,000 Shares held by VIL for the purpose of the SFO.

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised at all, our Company's issued share capital immediately following the Share Offer will be as follows:

Authorised share capital:

HKS

10,000,000,000 Shares

100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

HK\$

300,000,000	Shares in issue as at the date of this prospectus Shares to be issued under the Share Offer	3,000,000
400,000,000	Total	4,000,000

Assumptions

The above table assumes the Share Offer becomes unconditional and takes no account of any Shares (i) which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors as referred to below.

Assuming the Over-allotment Option is fully exercised, our Company's issued share capital immediately following the Share Offer will be as follows:

Authorised share capital:

HK\$

10,000,000,000 Shares

100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

HK\$

300,000,000	Shares in issue as at the date of this prospectus	3,000,000
100,000,000	Shares to be issued under the Share Offer	1,000,000
15,000,000	Shares to be issued upon full exercise	
	of the Over-allotment Option	150,000
415,000,000	Total	4,150,000

SHARE CAPITAL

Assumptions

The above tables assume the Share Offer becomes unconditional and takes no account of any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors as referred to below.

Ranking

The Offer Shares are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

The Share Option Scheme

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the sections headed "Statutory and General Information — E. Share Option Scheme" in Appendix VII to this prospectus.

General mandate to issue Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount not exceeding:

- (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Company's Shareholders in general meeting.

For further details of this general mandate to issue Shares, please refer to the section headed "Statutory and General Information — 4. Written resolutions of the sole Shareholder of our Company passed on November 30, 2009" in Appendix VII to this prospectus.

SHARE CAPITAL

General mandate to repurchase Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — 5. Repurchase by our Company of our Securities" in Appendix VII to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Company's Shareholders in general meeting.

For further details of this general mandate to repurchase our Shares, please see the section headed "Statutory and General Information — 4. Written resolutions of our sole Shareholder passed on November 30, 2009" in Appendix VII to this prospectus.

This section should be read in conjunction with our audited financial information, including the notes thereto, as set out in the section headed "Accountants' Report" in Appendix I to this prospectus. This prospectus contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which involve risks and uncertainties. Our financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

The Group is a project company in the infrastructure sector in China. Its primary business is to invest, build, operate and manage infrastructure projects in China. At present, our Group's only project is the Sui-Yue Expressway (Hunan Section) (隨州至岳陽高速公路湖南段), which is a dual three-lane expressway with a planned length of approximately 24.08 km. The Sui-Yue Expressway (Hunan Section) is currently under construction and is planned to be completed by the end of 2011.

We obtained the concession right for a period of 27 years (excluding construction period) to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section) exclusively pursuant to the Concession Agreement. Our Group's interests in Sui-Yue Expressway (Hunan Section) is held through Daoyue, a Sino-foreign equity joint venture established pursuant to the JV Contract and according to applicable PRC laws, which equity interest is held as to 90% by our Group and as to 10% by Huayu Investment. The Concession Agreement follows the "build-operate-transfer" or "BOT" model. At the expiration of the concession period, the right to operate and all fixed assets associated with the Sui-Yue Expressway (Hunan Section) will be transferred to the responsible governmental authorities at nil consideration. We will operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic.

The Sui-Yue Expressway (Hunan Section) is currently under construction and is planned to be completed by the end of 2011. Our Group divided the construction of the main structure such as roadbeds and interchange bridges into four sections. Our Group has entered into construction contracts with different contractors for the construction of three sections and will enter into a construction contract with another contractor for the construction of the last section in due course. We selected the contractors for the construction of the three sections through a public tender process which, according to our PRC Legal Advisers, is legal and effective. All the construction contracts above were entered into on fixed price terms, adjustable according to the market price of the construction raw materials. All the construction contracts above provide that any variation of the agreed work and the price for such variation must be approved by Daoyue, and that the cost of repairing any construction defects are to be borne by the relevant contractor during the relevant warranty period. To increase the protection for Daoyue, Daoyue will retain 5% of the construction price as quality assurance fee during the relevant warranty period. If the contractors fail to repair any construction defects satisfactorily during the relevant warranty period, Daoyue will use the quality assurance fee to repair the construction defects.

Before the commencement of commercial operation of the Sui-Yue Expressway (Hunan Section), it is expected that our Group would continue to incur expenses without generating cash revenue from toll road operation and our Group recorded only non-cash revenue from construction work

under service concession arrangement as turnover of our Group. As such our Group is supposed to record loss before the completion of the Sui-Yue Expressway (Hunan Section). Our Group expects to complete construction of the Sui-Yue Expressway (Hunan Section) and start commercial operation of it by the end of 2011, after which revenue in the form of toll fees and other ancillary revenues will be expected to be generated. After commercial toll road operation, it is expected that our Group will have substantial cashflows generated from the Sui-Yue Expressway (Hunan Section) project. Our Group may also explore to acquire or participate in expressways or other infrastructure projects in the PRC which, if materialized, could provide revenue and earnings to our Group.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

The financial information presented in this section presents the combined financial performance of our Group for each of the years in the three years period ended December 31, 2006, 2007, 2008 and the six months period ended June 30, 2009 on the basis that our Company, for this purpose, is regarded as a continuing entity and that the relevant reorganisation had been completed as at the beginning of the Track Record Period and that the business of our Group had been conducted by our Company throughout the Track Record Period as that are related to entities under common control. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The financial information presented in this section has been prepared with accounting policies which conform to the Hong Kong Financial Report Standards ("HKFRSs"), and the preparation of the financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The accounting policies used have been applied consistently to all periods during the Track Record Period. 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.

Significant accounting policies and judgements made by management in the application of HKFRSs that have significant effect on the financial information and major sources of estimates are discussed below.

Intangible assets – service concession arrangement

Our Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of an expressway in the PRC. Our Group carries out the construction of an expressway and receives in exchange for the right to operate the expressway concerned and the entitlement to toll fees collected from users of the concession infrastructure.

Our Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The concession grantor has 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 a service concession arrangement 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.

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

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 is calculated to write off cost of intangible assets arising from a service concession arrangement on a straight-line basis over the estimated useful life, which is the period when it is available for use to the end of the concession period. Where an item of infrastructure assets included in the intangible asset arising from a service concession arrangement has a different period of expected future economic benefits flowing to our Group than the concession period, it is amortised separately. Both the period and method of amortisation are reviewed annually.

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 our Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) 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 balance sheet date as a percentage of total estimated costs for each contract.

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 Sui-Yue Expressway (Hunan Section), which is estimated to be by late 2011.

(ii) Interest income

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

Maintenance

Under the Concession Agreement, the Group will assume responsibility for maintenance of the Sui-Yue Expressway (Hunan Section). However, the operation of Sui-Yue Expressway (Hunan Section) has not yet commenced. The provision for maintenance will be recognised upon the commencement of the expressway. We expect that such maintenance costs will be recognised as provisions according to the requirements of HKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provision for maintenance obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Property, plant and equipment

Property, plant and equipment are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost 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:

Motor vehiclesFurniture and fixtures5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is measured as the difference between their carrying amounts and the present value of estimated future cash flows, discounted at their original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of our Group about events that have an impact on the asset's estimated cash flows such as significant financial difficulty of the debtor. Impairment losses are reversed if in a subsequent period the amount of the impairment loss decreases.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets service concession arrangement; and
- non-current prepayments.

If any such indication exists, the asset's recoverable amount is estimated. 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 pretax 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).

An impairment loss is recognised in profit or loss whenever 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 to reduce the carrying amount of the 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. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, 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 impairment losses for bad and doubtful debts.

Payables

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

Income tax

Income tax for the period 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 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet 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.

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.

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.

Significant accounting estimates and judgements

Our Group believes the followings involve the most significant judgements and estimates used in the preparation of our financial information. 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.

(i) 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. Our 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.

There has been no impairment provision during the Track Record Period.

(ii) Depreciation and amortization

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account the estimated residual value. Intangible assets in relation to service concession arrangement are amortised on a straight-line basis over the concession period. Our Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation charge to be recorded during any reporting period. The useful lives are based on the industry practice on similar assets. The depreciation expense and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

There has been no amortization of the intangible assets for the Track Record Period. This is because the Sui-Yue Expressway (Hunan Section) is still under construction.

(iii) 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 balance sheet date as a percentage of total estimated costs for each contract.

Revenue recognised under the service concession contract represented the total contract costs plus the estimated margin. The contract costs incurred up to the year/period end relate to all costs that are directly attributable to the construction. These costs include the design, inspection, evaluation and consultation costs directly related to the construction contract which is in accordance with the relevant accounting standard. In respect of the profit margin earned during the construction phase, our Directors are of the view that our Group's main role is that of a project management company with main responsibilities being liaison and co-ordination for under the construction project. The profit margin earned for a project management company is therefore estimated to be the amount which covers all expected operating and administrative expenses incurred during the construction phase (including the pre-construction work).

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 Track Record Period, our Directors made estimates of the respective amounts by making reference to the management service fees derived from our Group's provision of project management services in relation to the Sui-Yue Expressway (Hunan Section) during the Track Record Period without taking into account the grant of the related toll road operating rights and entitlement to future toll revenues. Our Directors have drawn an analogy of the construction of toll road under the service concession arrangement as if our Group was 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, which are computed at an estimated percentage of the costs.

In ascertaining the total construction costs, our Directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third 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, our Directors have made reference to the practice for determining management fee for our Group's project management services in relation to the Sui-Yue Expressway (Hunan Section) during the Track Record Period, whereby the fee is estimated by reference to the total estimated administrative and other expenses as a percentage on the total budgeted costs of the project. Based on the above, our Directors estimated that the percentage of management fee ranged from 2% to 2.5% for the Track Record Period. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Our Group does not have any contractual obligations for maintaining and restoring the infrastructure during the Track Record Period. The obligation will be accounted for upon the formal commencement of the construction of the Sui-Yue Expressway (Hunan Section).

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial conditions have been, and/or will be affected by a number of factors, including those key factors set out below:

Toll rates

All toll rates for our Group's toll expressways are subject to the regulation of the relevant government authorities. Toll rates for the Sui-Yue Expressway (Hunan Section) require approval by the Hunan Provincial Government after the joint review and approval by the Hunan Provincial Price Bureau and Hunan Transportation Department. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to endusers. Daoyue can propose or apply for rate changes. However, there can be no assurance that the governmental authorities will approve a request to increase the toll rates in a timely manner or at all or that the governmental authorities will not at any time request a toll rate reduction.

Traffic volume

Revenue from our Group's Sui-Yue Expressway (Hunan Section) will principally depend upon the number of motor vehicles using such expressway. Traffic volume is directly and indirectly affected by a number of factors, including the availability, service, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations.

The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network in Hunan Province will not adversely affect the traffic volume on the Sui-Yue Expressway (Hunan Section).

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC and in particular, Hunan Province. Any adverse changes in these economies may adversely affect the traffic volume on the Sui-Yue Expressway (Hunan Section).

Capital expenditures

Considerable capital expenditure is required for most road projects during the construction period and it generally takes several years for a project to be completed and to begin generating income. The construction period and the capital required to complete any given project may be affected by different factors, including shortages of construction materials, equipment and labour, bad weather conditions, natural disasters, disputes with workers or contractors, accidents, changes in government policies and other unforeseen difficulties or circumstances. Delay in completion of a particular project may result from any such events, resulting in cost overruns and loss of income. Significant delays and cost overruns in road construction may adversely affect the earnings and cashflow of a toll road operator. We plan to complete the construction of the Sui-Yue Expressway (Hunan Section) by the end of 2011. However, notwithstanding fixed price construction contracts, the Sui-Yue Expressway (Hunan Section) may experience cost overruns or delays in its completion and any significant cost overruns or delays in completion of the Sui-Yue Expressway (Hunan Section) project may adversely affect the results of operations of our Group.

After completion of the construction, as part of the obligation as operator of the Sui-Yue Expressway (Hunan Section) under the service concession arrangement, Daoyue will be responsible at its own cost for the maintenance and repair of Sui-Yue Expressway (Hunan Section) throughout the operating concession period. The maintenance and repair costs incurred in respect of the obligations to restore the infrastructure to a specific level of serviceability are recognised as liabilities of Daoyue and such liabilities are recognised upon the commencement of the toll road operation. The continuing repair and maintenance of any highway or bridge involves significant expenditure. There can be no assurance that our Group's operations and financial position may not be adversely affected at some time by significant unforeseen capital expenditure requirements.

Economic growth and change of economic conditions in the PRC

All of our Group's revenue has been and in future is expected to be derived within the PRC. Economic growth and other economic trends and factors in the PRC, therefore, have a direct effect on our operations. For the past years, the PRC government has implemented economic reform measures designed to develop and grow the PRC economy. The growth of the PRC economy has resulted in increased transportation needs, and we expect that continued growth of the PRC economy would have a positive impact on our results of operations. However, the historical economic growth of the PRC may not continue in the future. Any significant change in the economic situation of the PRC will affect our results of operations.

Government's transportation-related policies and requirements

Our Group's operations, along with those of other toll road operators in the PRC, are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways in the PRC. There is no assurance that changes in such policies would not have an adverse effect on the revenue or results of operations of our Group.

RESULTS OF OPERATIONS

The following table set out our Group's combined income statement over the Track Record Period which is extracted from the section headed "Accountants' Report" in Appendix I to this prospectus.

	Years	ended December 31,			Six months ended June 30,	
	2006 <i>HK</i> \$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000	2009 HK\$'000	
			`	inaudited)		
Turnover	1,874	5,573	10,080	1,530	23,988	
Cost of construction services	(1,833)	(5,450)	(9,858)	(1,496)	(23,460)	
Gross profit	41	123	222	34	528	
Other revenue	6	46	126	35	39	
Administrative expenses	(838)	(1,003)	(3,569)	(1,522)	(3,664)	
Loss before taxation	(791)	(834)	(3,221)	(1,453)	(3,097)	
Income tax benefit	271	168	831	372	487	
Loss for the year/period	(520)	(666)	(2,390)	(1,081)	(2,610)	
Attributable to: — Equity shareholders						
of the Company	(465)	(588)	(2,140)	(970)	(2,424)	
— Minority interests	(55)	(78)	(250)	(111)	(186)	
Loss for the year/period	(520)	(666)	(2,390)	(1,081)	(2,610)	
Loss per share (HK\$) — Basic and Diluted (Note)	(0.0016)	(0.0020)	(0.0071)	(0.0032)	(0.0081)	

Note: The calculation of basic loss per share for the Relevant Period is based on the net loss attributable to the ordinary equity shareholders of the Company for each of the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 and 1 ordinary share of the Company issued on April 21, 2009 and 299,999,999 ordinary shares of the Company issued on November 30, 2009 as approved by the written resolutions of the sole shareholder of the Company passed on November 30, 2009 as if these shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted loss per share is equivalent to basic loss per share.

Description of Selected Income Statement Items

Turnover

We expect the turnover of our Group will substantially come from toll receipts collected at the toll plazas of the Sui-Yue Expressway (Hunan Section). Toll rates for the Sui-Yue Expressway (Hunan Section) will be subject to the approval of the Hunan Provincial Government after the joint review and approval by the Hunan Provincial Price Bureau and Hunan Transportation Department. Factors to be taken into account by the governmental authorities when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to end-users. The formula for the toll rates is expected to be in the form of a rate per km traveled (行駛里程) based on vehicle classification and, if the vehicle is a goods-carrying vehicle (including vehicles carrying both passengers and goods), a rate based on the weight of the goods carried and per km traveled. Toll receipts are therefore principally dependent on traffic volume by vehicle categories, applicable toll rates, distance traveled and weight of goods carried by the vehicle (if applicable).

We expect to generate a comparatively small amount of additional revenues from a combination of franchises for shopping spaces, convenient stores, restaurants, motels, gas stations and garages at the service centre, rescue services and advertising boards.

Up to the Latest Practicable Date, our Group has not recorded any turnover relating to toll receipts as the Sui-Yue Expressway (Hunan Section) is still under construction and our Group has not commenced its operation.

Turnover during the Track Record Period represented revenue from construction work and project management under the Concession Agreement measured at the fair value of the consideration received or receivable.

Cost of construction services

During the Track Record Period, cost of construction services represented the deemed cost of our Group to generate construction revenues which comprised the costs incurred by our Group for the purpose of obtaining the concession right relating to the Concession Agreement, including payments for inspection, evaluation, design and consultancy fees and other expenses but excluding land collection cost.

Other revenue

During the Track Record Period, other revenue mainly represented interest income from bank deposits of our Group.

Administrative expenses

During the Track Record Period, administrative expenses primarily included salaries, consultancy fees, office expenses, rent, travelling and motor vehicle expenses, entertainment expenses, decoration and maintenance, expenses for work commencement and mobilization ceremony, and other operating expenses incurred for the initiation and promotion of the Sui-Yue Expressway (Hunan Section) project. However, during the Track Record Period, all of our Directors, except Ms. Mao Hui, agreed to waive their salaries in order to enhance the capital base of our Group and facilitate our Group's expansion. After the Listing, it is expected that our Directors will receive director's remuneration determined by reference to market rates as per their respective directors' service contracts.

Income tax benefit

Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI. In addition, no provision has been made for Hong Kong profits tax as our Group did not have assessable profits subject to Hong Kong profits tax during the Track Record Period.

Pursuant to the income tax rules and regulations of the PRC, Daoyue is liable to PRC income tax at a rate of 33% for the period from December 22, 2006 (date of establishment) to December 31, 2006 and the year ended December 31, 2007. On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law which took effect on January 1, 2008. As a result of the Corporate Income Tax Law, the income tax rate applicable to Daoyue was reduced from 33% to 25% with effect from January 1, 2008. No provision has been made for PRC Corporate Income Tax as our Group did not have assessable profits subject to PRC Corporate Income Tax during the Track Record Period.

During the Track Record Period, our Group recorded deferred tax credit arising from tax losses as our Group incurred losses for project initiation and promotion for the Sui-Yue Expressway (Hunan Section).

Management's Discussion and Analysis of Financial Results

Comparison for the six months ended June 30, 2009 and June 30, 2008

Turnover and cost of construction services

Our Group continued to work on project promotion, preparation and planning for the Sui-Yue Expressway (Hunan Section) without recording any toll revenue. Turnover during the Track Record Period represented revenue from construction work and project management under the Concession Agreement. Our turnover increased from approximately HK\$1,530,000 for the six months ended June 30, 2008 by approximately HK\$22,458,000 or 14.7 times to approximately HK\$23,988,000 for the six months ended June 30, 2009. Correspondingly, our cost of construction services increased

from approximately HK\$1,496,000 for the six months ended June 30, 2008 by approximately HK\$21,964,000 or 14.7 times to approximately HK\$23,460,000 for the six months ended June 30, 2009. Such increases were mainly because the preparation and construction of the Sui-Yue Expressway (Hunan Section) were implemented by us in a much larger scale in first half of 2009.

Other revenue

We recorded other revenues which represented interest income from bank deposits of approximately HK\$35,000 and HK\$39,000 for the six months ended June 30, 2008 and the six months ended June 30, 2009 respectively, as derived from our cash deposited in banks.

Administrative expenses

Administrative expenses increased from approximately HK\$1,522,000 for the six months ended June 30, 2008 by approximately HK\$2,142,000 or 140.7%, to approximately HK\$3,664,000 for the six months ended June 30, 2009. This was mainly because, as we developed the Sui-Yue Expressway (Hunan Section) project at a more advanced stage in 2009, our Group employed increasingly more resources for the project and our salary, office expenses, rent, depreciation and other expenses increased significantly in 2009.

Income tax benefit and loss for the year

As our Group made further progress in the Sui-Yue Expressway (Hunan Section) project, we also incurred more expenses. However, in 2009 our Group still has not commenced toll road operation. Accordingly, our loss for the six months ended June 30, 2009 increased from approximately HK\$1,081,000 for the six months ended June 30, 2008 by HK\$1,529,000 or 141.4% to approximately HK\$2,610,000 for the six months ended June 30, 2009. Also, due to a larger loss before taxation for the six months ended June 30, 2009, we recorded deferred tax credit arising from the resulted tax loss and temporary differences arise from accumulated pre-operating expenses of approximately HK\$487,000 for the six months ended June 30, 2009, which represented an increase of approximately HK\$115,000 or 30.9% as compared to that for the six months ended June 30, 2008 of approximately HK\$372,000.

Comparison for the year ended December 31, 2008 and December 31, 2007

Turnover and cost of construction services

During the Track Record Period, our 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.

Turnover during the Track Record Period represented revenue from construction work and project management under the Concession Agreement. Our turnover increased from approximately HK\$5,573,000 for the year 2007 by approximately HK\$4,507,000 or 80.9% to approximately HK\$10,080,000 for the year 2008. Correspondingly, our cost of construction services increased

from approximately HK\$5,450,000 for the year 2007 by approximately HK\$4,408,000 or 80.9% to approximately HK\$9,858,000 for the year 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

We recorded other revenue of approximately HK\$126,000 for the year 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 2007 was because of the increase in cash deposited in banks by our 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 2007 by approximately HK\$2,566,000 or 255.8%, to approximately HK\$3,569,000 for the year 2008. This was mainly because, as we developed the Sui-Yue Expressway (Hunan Section) project at a more advanced stage, our 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.

Income tax benefit and loss for the year

As our Group incurred more expenses during the course of project promotion for the Sui-Yue Expressway (Hunan Section) but has not commenced toll road operation, our loss for the year increased from approximately HK\$666,000 for the year 2007 by HK\$1,724,000 or 259% to approximately HK\$2,390,000 for the year 2008. In addition, due to a larger loss before taxation for the year 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 2008, which represented an increase of approximately HK\$663,000 or 394.6% as compared to that for the year 2007 of approximately HK\$168,000.

Comparison for the year ended December 31, 2007 and December 31, 2006

Turnover and cost of construction services

The principal activities of our Group are construction, operation and management of an expressway in the PRC. During the Track Record Period, the expressway was under construction and has not commenced its operation.

Turnover during the Track Record Period represented revenue from construction work and project management under the Concession Agreement. Our turnover increased from approximately HK\$1,874,000 for the year 2006 by approximately HK\$3,699,000 or 197.4% to approximately HK\$5,573,000 for the year 2007. Correspondingly, our cost of construction services increased from approximately HK\$1,833,000 for the year 2006 by approximately HK\$3,617,000 or 197.3% to approximately HK\$5,450,000 for the year 2007. Such increases were mainly because the Sui-Yue Expressway (Hunan Section) project was at a relatively initial stage in 2006 and our Group achieved more progress in the preparation for the Sui-Yue Expressway (Hunan Section) in 2007.

Other revenue

We recorded other revenues which represented interest income from bank deposits of approximately HK\$6,000 and HK\$46,000 for the year 2006 and the year 2007 respectively. The bank interest income was derived from our cash deposited in banks after capital contribution by our shareholders to Daoyue in 2006.

Administrative expenses

Administrative expenses increased from approximately HK\$838,000 for the year 2006 by approximately HK\$165,000 or 19.7%, to approximately HK\$1,003,000 for the year 2007, mainly due to increased business activities in 2007 to prepare for the commencement of construction of the Sui-Yue Expressway (Hunan Section) in 2008.

Income tax benefit and loss for the year

After establishment of Daoyue in December 2006, our Group was engaged in more activities and incurred more expenses in relation to project initiation and promotion for the Sui-Yue Expressway (Hunan Section) in 2007. Accordingly, our loss for the year increased from approximately HK\$520,000 for the year 2006 by HK\$146,000 or 28.1% to approximately HK\$666,000 for the year 2007. However, although we recorded a larger loss before taxation for the year 2007, due to the implementation of the Corporate Income Tax Law of the PRC which reduced the income tax rate applicable to Daoyue from 33% to 25%, the cumulative deferred tax credit balances arising from tax losses and temporary differences arise from accumulated pre-operating expenses was adjusted downwards. This resulted in a deferred tax credit of approximately HK\$168,000 for the year 2007, which represented a decrease of approximately HK\$103,000 or 38.0% as compared to that for the year 2006 of approximately HK\$271,000.

ANALYSIS ON CERTAIN BALANCE SHEET ITEMS

Property, plant and equipment and Prepayments (non-current assets)

During the Track Record Period, our Group was mainly engaged in the project initiation and promotion of the Sui-Yue Expressway (Hunan Section) and the construction of the expressway is still in progress. Accordingly, during the Track Record Period, our Group had not yet acquired

the titles of the relevant material assets in relation to the expressway including buildings and other fixed assets, but made prepayments to 4 independent contractors in 2008 for the civil engineering construction of the expressway and related construction safety monitoring services. As at December 31, 2008 and June 30, 2009, our Group recorded prepayments of approximately HK\$29,002,000 and HK\$45,208,000 respectively in this respect.

To facilitate our daily business, our Group gradually acquired certain furniture and fixtures for our rented office and motor vehicles for business travel as we continued for the project initiation and promotion of the Sui-Yue Expressway (Hunan Section) during Track Record Period. As at December 31, 2006, 2007 and 2008 and June 30, 2009, our Group had motor vehicles, furniture and fixtures worth approximately HK\$9,000, HK\$244,000, HK\$1,968,000 and HK\$1,903,000 respectively.

Intangible assets – service concession arrangement

Pursuant to the Concession Agreement, Daoyue was granted by the relevant PRC government authorities the concession right to invest, build, operate and maintain the Sui-Yue Expressway (Hunan Section). The Concession Agreement follows the "build-operate-transfer" or "BOT" model, under which our Group will have a concession period of 27 years (excluding construction period) to operate the Sui-Yue Expressway (Hunan Section) exclusively and receive relevant toll fees and related revenues. At the expiration of concession period, the concession right to operate and all fixed assets associated with the Sui-Yue Expressway (Hunan Section) will be transferred to the responsible government authorities at nil consideration. The Concession Agreement does not contain a renewal option.

During the Track Record Period, as we continued to develop the Sui-Yue Expressway (Hunan Section) project, for the purpose of obtaining the concession rights relating to the Concession Agreement, our Group has made payments for inspection, evaluation, design and consultancy fees in addition to incurring certain conference expenses and salaries of our employees. The Group recognised land collection costs amounting to approximately HK\$71,199,000 and HK\$111,095,000 for the year ended December 31, 2008 and for the six months period ended June 30, 2009 respectively in relation to, among other things, compensation for land and settlement for original residents, demolition of buildings, plantation recovery, farmland reclamation, and related processing fees and costs, as part of the intangible assets - service concession arrangement. As at December 31, 2006, 2007 and 2008 and June 30, 2009, our Group recorded intangible assets regarding service concession arrangement of approximately HK\$1,916,000, HK\$7,858,000, HK\$90,373,000 and HK\$226,223,000 respectively.

In accordance with our Group's accounting policy, no amortization for the intangible assets in relation to the service concession arrangement was recognized during the Track Record Period as the Sui-Yue Expressway (Hunan Section) was not available for use yet.

Deferred tax assets

We recorded deferred tax assets of HK\$277,000, HK\$472,000, HK\$1,341,000 and HK\$1,833,000 respectively as at December 31, 2006, 2007 and 2008 and June 30, 2009, which arose from tax losses and temporary differences arise from accumulated pre-operating expenses incurred during the Track Record Period as our Group incurred expenses for project initiation and promotion for the Sui-Yue Expressway (Hunan Section) but did not yet generate revenues from toll road operations.

Prepayments and other receivables

We recorded prepayments and other receivables of HK\$93,000, HK\$6,069,000, HK\$385,000 and HK\$4,745,000 respectively as at December 31, 2006, 2007 and 2008 and June 30, 2009, which mainly arose from operating expenses in relation to our project initiation and promotion activities during the Track Record Period, including an advance to a third party of approximately RMB5,000,000 which was fully repaid subsequently and a prepayment for design fee of approximately RMB600,000 as at December 31, 2007. Our Group also made prepayments of approximately HK\$3,596,000 as at June 30, 2009 for professional fees in relation to the Listing. The advance to a third party of approximately RMB5,000,000 as at December 31, 2007 was due from an independent party, Xi'an Shunshilai Zhuque Zhive Co., Ltd. (西安順時來朱雀置業有限公司), which was a business acquaintance of Huayu Investment. Such advance was made to it for temporary usage, interest free, and has no fixed term of repayment. Our PRC Legal Advisers have advised us that, although the advance to Xi'an Shunshilai Zhuque Zhiye Co., Ltd. did not comply with the General Provisions on Lending (貸款通則) promulgated by the People's Bank of China and effective as of August 1, 1996 (pursuant to which we may be subject to a penalty of between one time and five times the income gained in violation of the provisions and the People's Bank of China shall suppress the lending activity), since the lending relationship between our Group and Xi'an Shunshilai Zhuque Zhiye Co., Ltd. terminated already and so far our Group has not been investigated or penalized for such advance, the risk for our Group of being punished in connection with such advance is considered not high.

Amount due from/to a related party and controlling shareholder

At the early stage of our business and as a member of the Ultimate Controlling Shareholder's investment group, our Group was mainly focusing only on the project initiation and promotion of the Sui-Yue Expressway (Hunan Section), and we advanced part of our surplus capital not with immediate use to certain related companies during the Track Record Period. In this regard, we recorded the amount due from a related party of nil, HK\$42,888,000, HK\$10,999,000 and nil respectively as at December 31, 2006, 2007 and 2008 and June 30, 2009.

During the Track Record Period, the Ultimate Controlling Shareholder and certain related parties also paid operating expenses on our behalf, which gave rise to the balances of the amounts due to a related party and controlling shareholder. In addition, during the six months ended June 30, 2009, our Group obtained additional advance of approximately HK\$211,185,000 from the Ultimate Controlling Shareholder, which was mainly used for the payment to Huayu Investment for the reorganization of 90% interest in Daoyue from Huayu Investment to Good Sign. Such advance from the Ultimate Controlling Shareholder has been assigned to our Company on December 7, 2009 and became intra-group loans. In this regard, we recorded the amount due to a related party of HK\$2,825,000, HK\$6,658,000, nil and nil, and the amount due to controlling shareholder of HK\$13,000, HK\$20,000, HK\$349,000 and HK\$211,534,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 respectively.

All of the amounts due from/to related companies and the Ultimate Controlling Shareholder were unsecured, interest-free and repayable on demand, and they have been assigned, recovered or settled prior to the Listing.

Accruals and other payables

We had accruals and other payables of approximately HK\$27,949,000 and HK\$30,974,000 as at December 31, 2008 and June 30, 2009 respectively, which comprised contract guarantee deposits of approximately HK\$27,895,000 and HK\$28,524,000 as at December 31, 2008 and June 30, 2009 respectively. The contract guarantee deposits were provided by our contractors in relation to the preparation-stage construction work of the Sui-Yue Expressway (Hunan Section). As the contract guarantee deposits were arisen from normal operating cycles of our Group, they were classified as current liabilities in accordance with Hong Kong Financial Reporting Standards. Remaining balances of the accruals and other payables represented mainly accruals for our operating expenses during the Track Record Period.

Long-term bank loan

Our Group has borrowed bank loan during the six months ended June 30, 2009 to finance the Sui-Yue Expressway (Hunan Section) project. As at June 30, 2009, we recorded non-current long-term bank loan of approximately HK\$170,520,000 which represented the loan amount drawn then, pursuant to the loan agreement with China Merchants Bank dated April 30, 2009 for a RMB denominated fixed assets loan of total amount of RMB1.10 billion. Further details of the bank loan are set out in the paragraph headed "Financing Arrangement for the Sui-Yue Expressway (Hunan Section) Project" in this section.

FINANCIAL RESOURCES AND LIQUIDITY

Financial Resources

During the Track Record Period, we financed our operations and capital expenditures by our cashflow from financing activities which were mainly derived from capital contribution by the Ultimate Controlling Shareholder and to a lesser extent by the minority shareholder of Daoyue. The major capital contributions during the Track Record Period were the first capital injection to Daoyue of RMB50 million (approximately HK\$49,666,000) in 2006 and two subsequent capital injections to Daoyue of RMB50 million (approximately HK\$55,738,000) in 2008 and RMB100 million (approximately HK\$113,420,000) in January 2009. We advanced part of our surplus capital with no immediate use to certain related companies during the Track Record Period, all of which were repaid to us before the Listing. As at June 30, 2009 and October 30, 2009, we had audited cash and cash equivalent balances of approximately HK\$149,525,000 and unaudited cash and cash equivalent balances of approximately HK\$314,205,000 respectively.

In addition to the capital already injected to our Group during the Track Record Period, we expect to finance our future working capital requirements and capital expenditures by further capital injection by the shareholders of Daoyue, bank loans, proceeds from the Share Offer, and when the Sui-Yue Expressway (Hunan Section) commences commercial operations, the revenues generated from toll road operation.

Net Current Assets/Liabilities

During the Track Record Period, as we were still in our early stages of business, our Group incurred various expenses for project initiation and promotion for the Sui-Yue Expressway (Hunan Section) and did not generate any revenues from toll road operation. Although we recorded net losses for both year 2006 and year 2007, with the capital injection to Daoyue in year 2006, our Group maintained net current assets of approximately HK\$47,065,000 and HK\$43,752,000 as at December 31, 2006 and 2007 respectively.

Since 2008, our Group made substantial payments for, among other things, land collection, inspection, evaluation, design and consultancy fees in connection with obtaining the concession rights relating to the Concession Agreement, which were capitalized as non-current assets. Meanwhile, as we appointed contractors to carry out the construction of the Sui-Yue Expressway (Hunan Section), we received contract guarantee deposits from certain contractors for aggregate amounts of approximately HK\$27,895,000 and HK\$28,524,000 for the year ended December 31, 2008 and the six months ended June 30, 2009 respectively, which were recorded as accruals and other payables as part of our current liabilities. In addition, our Group obtained loans from the Ultimate Controlling Shareholder mainly for the payment to Huayu Investment for the reorganization

of 90% interest in Daoyue from Huayu Investment to Good Sign, which resulted in amounts due to controlling shareholder of approximately HK\$211,534,000 as at June 30, 2009 as part of our current liabilities. As a result, we recorded net current liabilities position of approximately HK\$13,028,000 and HK\$88,238,000 as at December 31, 2008 and June 30, 2009 respectively. However, as such contract guarantee deposits are expected not to be settled until completion of the relevant contract work by the contractors, and all the amounts due to controlling shareholder from the subsidiaries of the Company have been assigned to the Company on December 7, 2009, we do not anticipate any liquidity problem despite our net current liabilities position.

As our Group has not commenced toll road operation during the Track Record Period, we did not have trade receivables and trade payables.

The net current assets/(liabilities) position of our Group during the Track Record Period and as at October 31, 2009 (with unaudited figures) is illustrated by the following breakdown:

	As	As at December 31,			As at October 31	
	2006	2007	2008	2009	2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	
Current assets						
Prepayments and other receivables	93	6,069	385	4,745	7,820	
Amount due from a related party	_	42,888	10,999	_		
Cash and cash equivalents	49,824	1,486	3,886	149,525	314,205	
	49,917	50,443	15,270	154,270	322,025	
Current liabilities						
Accruals and other payables Amount due to controlling	14	13	27,949	30,974	38,014	
shareholder of the Company	13	20	349	211,534	297,388	
Amount due to a related party	2,825	6,658				
	2,852	6,691	28,298	242,508	335,402	
Net current assets/(liabilities)	47,065	43,752	(13,028)	(88,238)	(13,377)	

Cashflows during the Track Record Period

Our Group's cashflows during the Track Record Period were summarized in the following table:

				Six montl	ns ended
	Years ended December 31,		June 30,		
	2006 <i>HK\$</i> '000	2007 <i>HK\$</i> '000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Net cash generated from/(used in) operating activities	1,999	(3,589)	26,489	1,492	(721)
Net cash used in investing activities	(1,841)	(5,661)	(111,802)	(12,045)	(148,587)
Net cash generated from/(used in) financing activities	49,666	(42,888)	87,627	17,755	294,939
Net increase/(decrease) in cash and cash equivalents	49,824	(52,138)	2,314	7,202	145,631

Cashflows from operating activities

Our Group recorded net cash inflows from operating activities although we have been in a loss position during the Track Record Period as we continued to incur expenses for project initiation and promotion for the Sui-Yue Expressway (Hunan Section). For the year 2006 and the year 2007, our operating cashflow position was enhanced mainly due to the increase in the amounts due to related companies of approximately HK\$2,825,000 and HK\$3,833,000 respectively as certain related companies paid operating expenses on our behalf. For the year 2008, we generated cash inflow from operating activities mainly due to the increase in accruals and other payables of approximately HK\$27,936,000 as we received guarantee deposits from contractors when we commenced the construction of the Sui-Yue Expressway (Hunan Section). For the six months ended June 30, 2009, our Group enhanced operating cashflow position as a result of increase in the amounts due to controlling shareholder of HK\$6,640,000.

Our net cash generated from/(used) in operating activities for the year 2006, 2007, 2008 and the six months ended June 30, 2009 were approximately HK\$1,999,000, HK\$(3,589,000), HK\$26,489,000 and HK\$(721,000) respectively.

Cashflows from investing activities

As we continued to make capital expenditures in relation to the Sui-Yue Expressway (Hunan Section), our Group recorded net cash outflows from investing activities during the Track Record Period, amounting to approximately HK\$1,841,000, HK\$5,661,000, HK\$111,802,000 and HK\$148,587,000 respectively for the year 2006, 2007, 2008 and the six months ended June 30, 2009. Our cash outflows from investing activities increased during the Track Record Period as we advanced our development of the project and commenced the preparation-stage construction work of the Sui-Yue Expressway (Hunan Section) in 2008.

Our cash outflows from investing activities during the Track Record Period primarily reflected payments made for intangible assets in relation to obtaining the service concession arrangement for the Sui-Yue Expressway (Hunan Section), which amounted to approximately HK\$1,833,000, HK\$5,450,000, HK\$81,057,000 and HK\$132,293,000 respectively for the year 2006, 2007, 2008 and the six months ended June 30, 2009. We also made prepayments of approximately HK\$29,002,000 and HK\$16,206,000 to contractors for the preparation work for construction of the Sui-Yue Expressway (Hunan Section) for the year 2008 and the six months ended June 30, 2009 respectively leading to further cash outflows from investing activities for the year/period.

Cashflows from financing activities

For the year 2006, our Group recorded net cash inflows from financing activities of approximately HK\$49,666,000 which were derived from the first capital contribution of the shareholders of Daoyue to pay up its registered capital and finance our business.

Our Group advanced part of our surplus capital not with immediate use to certain related companies in year 2007, which led to net cash outflows from financing activities of approximately HK\$42,888,000 for the year.

During the year 2008, our Group received further capital contribution of approximately HK\$55,738,000 from the shareholders of Daoyue to increase Daoyue's registered capital to support the development of the Sui-Yue Expressway (Hunan Section). We also received approximately HK\$31,889,000 back from certain related companies. As a result of the above two events, we recorded net cash inflows from financing activities of approximately HK\$87,627,000.

During the six months ended June 30, 2009, our Group received further capital contribution of approximately HK\$113,420,000 from the shareholders of Daoyue to increase Daoyue's registered capital to support the development of the Sui-Yue Expressway (Hunan Section). We also received approximately HK\$10,999,000 from certain related companies. In addition, our Group started borrowing a long term bank loan from China Merchants Bank of approximately HK\$170,520,000. As a result of those events, we recorded net cash inflows from financing activities of approximately HK\$294,939,000.

Historical and Planned Future Capital Expenditure

During the Track Record Period, our Group has incurred capital expenditures in relation to obtaining the concession right, construction of the Sui-Yue Expressway (Hunan Section), and to a lesser extent, acquisition of motor vehicles, furniture and fixtures for our daily business use. It is expected that our Group will continue to make substantial capital expenditure for the development and construction of the Sui-Yue Expressway (Hunan Section) project.

The total planned project investment for the Sui-Yue Expressway (Hunan Section) is approximately RMB1.717 billion. We expect that further capital expenditures will be made by our Group to develop and construct the Sui-Yue Expressway (Hunan Section) and ancillary facilities. In addition, we also expect to acquire more fixed assets for office and daily business use. Our Group's planned capital future capital expenditures mainly include the following:

The following table sets forth our capital expenditures incurred in the year ended December 31, 2008 and six months ended June 30, 2009 and those estimated to be made in two and a half years ending December 31, 2011 in relation to the Sui-Yue Expressway (Hunan Section) project:

			Year (ending December 31	, 2009			
(RMB million)	Capital Expenditures Items	Year Ended December 31, 2008	6 months ended June 30, 2009	6 months from July 1 to December 31, 2009	Subtotal	Year ending December 31, 2010	Year ending December 31, 2011	Total
I	Construction	25.57	16.02	328.61	344.63	414.99	383.66	1,168.85
II	Equipment and machinery	1.61	0.10	0.38	0.48	5.00	24.88	31.97
III 1 2 3 4 5	Ancillary costs Relocation and related expenses Project management fees Research, testing, project assessment and preliminary expenses, etc. Staff training Project loan interest	63.38 0.45 8.3	98.14 0.40 15.90 — 0.79	11.87 14.42 5.70 	110.01 14.82 21.60 	8.00 17.32 0.50 	29.40 16.61 10.83 0.24 43.98	210.79 49.20 41.23 0.24 74.14
	Subtotal:	72.13	115.23	39.58	154.81	47.60	101.06	375.60
IV	Contingency cost	_	4.71	21.48	26.19	28.06	26.20	80.45
V	Miscellaneous		1.50	2.90	4.40	0.62		5.02
	Total:	99.31	137.56	392.95	530.51	496.27	535.8	1,661.89

The total capital expenditures incurred by our Group up to the Latest Practicable Date is approximately RMB370 million.

Financing Arrangement for the Sui-Yue Expressway (Hunan Section) Project

The total estimated project investment for of the Sui-Yue Expressway (Hunan Section) is approximately RMB1.717 billion. Good Sign and Huayu Investment have obtained the approval from the Hunan Provincial Commerce Department to (a) increase the amount of total investment of Daoyue from RMB600 million to RMB1.717 billion and (b) contribute a further RMB400.95 million to the registered capital of Daoyue, thereby increasing the registered capital of Daoyue from

RMB200 million to RMB600.95 million. Good Sign and Huayu Investment have contributed 20% of the increased registered capital of Daoyue in August 2009 and Daoyue obtained a new business licence on September 17, 2009. The balance of 80% of the increased registered capital of Daoyue is expected to be contributed by Good Sign and Huayu Investment within two years after the issuance of the new business licence. Good Sign's remaining capital contribution to Daoyue is expected to come from the net proceeds from the Share Offer and the internal funding of our Group.

Approximately RMB1.10 billion is intended to be financed by bank loans to be borrowed by Daoyue. In this respect, Daoyue signed a loan agreement with Shenzhen Longgang Branch of China Merchants Bank on April 30, 2009 for a RMB denominated fixed assets loan of total amount of RMB1.10 billion. The principal terms of such loan are as follows:

Total loan amount Not exceeding RMB1.10 billion

Use of loan proceeds Restricted for construction of the Sui-Yue Expressway (Hunan

Section) only

Loan term 18 years from May 8, 2009 to May 8, 2027

Drawdown period Within 36 months after the loan agreement becoming effective

Drawdown In multiple of RMB1 million but not less than RMB10 million with

7-day prior notice

Interest rate Floating rate, reset for every 3-month period according to benchmark

lending rate for a loan period over 5 years published by the People's

Bank of China, adjusted down by 10%

Interest payment Payable monthly on 20th every month

Guarantor Huayu Investment (such guarantee to be released within three months

after the Listing Date)

Security To pledge the right of receiving tolls in relation to the Sui-Yue

Expressway (Hunan Section), when such right is obtained by our

Group

Financial covenants (i) The Group is required to invest not less than 35% of the total

investment in Sui-Yue Expressway (Hunan Section)

(ii) The Group is required to maintain cash on hand with 130% of annual loan and interest repayment and obtain prior approval

from the bank, before declaring any cash dividend or bonus

during the repayment years from 2013 to 2027

For reference only, as at the Latest Practicable Date, the prevailing benchmark lending rate for a loan period over 5 years is set at 5.94% per annum as published by the People's Bank of China.

For the financial covenants, we are of the view that it may limit the total amount of debt financing of the Sui-Yue Expressway (Hunan Section) to 65% of the total investments and may affect the future cash dividend stream. However, we currently have no intention to change the financing structure of the Sui-Yue Expressway (Hunan Section) project. In addition, we are confident that our future cash flow will be sufficient to service the required loan and interest repayment from 2013 to 2027. We will conduct regular budgetary review for ensuring the above financial covenants being met. In addition, we have instituted an internal control procedure of reviewing whether the financial covenants are affected in the event of concluding any new loans.

Up to November 30, 2009, the aggregate loans drawn down by our Group amounted to RMB300 million

We intend to make further capital contribution to Daoyue or secure further loan in the event that current financing arrangements turn out to be insufficient for the Sui-Yue Expressway (Hunan Section) project.

Repayment schedule

Repayment date (May 8 of the year)	Loan principal to be repaid (RMB million)
2013	10
2014	20
2015	30
2016	40
2017	50
2018	60
2019	70
2020	80
2021	90
2022	100
2023	110
2024	110
2025	110
2026	110
2027	110

Our Group has undertaken detailed feasibility study involving assessment of traffic flow, toll revenue, construction and financing costs before undertaking the Sui-Yue Expressway (Hunan Section) project. We have engaged professional parties in providing the necessary expert advice and assistance during the process. In particular, we have engaged the Hunan Provincial Communications Planning, Surveying and Designing Institute (湖南省交通規劃勘察設計院) for conducting the feasibility study of the project. For the purpose of the Listing, our Group has also engaged Parsons for conducting a traffic review for the Sui-Yue Expressway (Hunan Section). The Directors expect that the repayment of project loan would be funded by the toll revenue for the Sui-Yue Expressway (Hunan Section) project.

Working Capital

Our Directors are of the opinion that, after taking into account of, among other things, the banking facility of RMB1.10 billion arranged, the additional cash of HK\$216 million injected into our Group by the Ultimate Controlling Shareholder which has been completed on December 7, 2009 and the expected net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements for the next 12 months from the date of this prospectus.

FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk of our Group arises primarily from our Group's prepayments and other receivables and deposits with banks.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor for expressway construction. Individual credit evaluations are performed on all contractors. These evaluations focus on the contractor's past history of construction work performance and current ability to fulfill the contract, and take into account information specific to the contractor as well as pertaining to the economic environment in which the contractor operates. Our Group does not collect collateral in respect of prepayments and other receivables. Contract guarantee deposits of HK\$27,895,000 and HK\$28,524,000 recognised in accruals and other payables as at December 31, 2008 and June 30, 2009 respectively were received from major sub-contractors. Our Group also regularly monitors the construction progress.

We limit our exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, our Directors do not expect any counterparty to fail to meet its obligations in this respect.

Liquidity risk

Individual operating entities within our 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. Our 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.

Interest rate risk

Our Group's interest rates risk arises primarily from cash at bank and interest bearing borrowings. Our Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Our Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and our Group does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

Individual companies within our Group has 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 subsidiary, Daoyue, mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect our Group's financial position and be reflected in the exchange reserve.

INDEBTEDNESS

Borrowings and Banking Facilities

Our Group had bank borrowings of approximately HK\$341 million as at October 31, 2009. Our Group has obtained banking facilities of approximately RMB1.10 billion from China Merchants Bank (details of which are set out in the paragraph headed "Financing Arrangement for the Sui-Yue Expressway (Hunan Section) Project), approximately RMB800 million of which remained unutilized as at October 31, 2009. To finance the Sui-Yue Expressway (Hunan Section) project, it is expected that the remaining unutilized banking facilities will be drawn as and when necessary.

Amount due to the Ultimate Controlling Shareholder

As at October 31, 2009 our Group had an amount due to the ultimate controlling shareholder of approximately HK\$297 million.

On December 7, 2009, the ultimate controlling shareholder, Top Talent, Good Sign and Bright Regent entered into a deed of assignment with our Company, pursuant to which the ultimate controlling shareholder 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 our Company.

Securities

As at October 31, 2009, our Group's banking facilities granted by China Merchants Bank of approximately RMB1.10 billion are secured by our interest and future cash flow in the Sui-Yue Expressway (Hunan Section) project.

Commitment

Capital commitments outstanding at December 31, 2006, 2007, 2008 and June 30, 2009 not provided for in our Group's financial statements were as follows:

	As	As at June 30,		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted for	588	21,222	636,005	766,215
Authorised but not contracted for			1,189,716	2,442,414

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

As at October 31, 2009, we had contracted capital commitment of approximately HK\$736 million and authorised but not contracted for capital commitment of approximately HK\$871 million which mainly related to the construction of the Sui-Yue Expressway (Hunan Section). We also had operating lease commitment mainly relating to the lease of the offices and staff dormitories currently being used by us amounting to approximately HK\$0.7 million as at October 31, 2009.

Guarantee and Contingent Liabilities

As at October 31, 2009, our Group did not have any material guarantee granted by us to any external party or contingent liability.

Disclaimer

Save as disclosed herein, apart from intra-group liabilities, payables relating to construction of the Sui-Yue Expressway (Hunan Section), our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitment, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at October 31, 2009.

DISCLOSURES UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there is no circumstance which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVE

Our Company was incorporated on April 21, 2009 and has not carried out any operation since incorporation. Accordingly, there was no reserve available for distribution to shareholders as at June 30, 2009.

NET TANGIBLE LIABILITIES

For illustrative purpose only, we have set out in Appendix II to this prospectus a statement of unaudited pro forma adjusted net tangible liabilities of our Group prepared in accordance with Rule 4.29 of the Listing Rules. Such statement is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group.

DIVIDEND AND DIVIDEND POLICY

Our Group has not distributed any dividend during the Track Record Period and up to the Latest Practicable Date. It is the present intention of our Directors that, subsequent to the Share Offer and after the completion of the construction and commencement of profitable operations of the Sui-Yue Expressway (Hunan Section), not less than 40% of our distributable profit would be distributed as dividends for each year. However, there is no assurance as to whether dividend distribution will occur as intended and our Directors would take into account of, among other things, our general business conditions, financial results, capital requirements and future plan to decide for dividend distribution.

PROPERTY INTEREST

As at the Latest Practicable Date, our Group did not own any property. Our Group's offices and staff quarters are currently housed in leased properties. Details relating to our property interests are set out in the section headed "Property Valuation" in Appendix V to this prospectus. Jones Lang LaSalle Sallmanns Limited, an independent property appraiser, has valued the properties leased by us as at September 30, 2009. The text of its letter, a summary of valuations and valuation certificates are set out in Appendix V to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in the financial or trading position of our Group since June 30, 2009, being the date to which our latest audited combined financial statements were made up.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

OVERVIEW

The Directors consider that our Company is well positioned to benefit from continued economic growth in the PRC in general, and within Hunan Province in particular. In addition to general economic factors, our prospects depend on a combination of factors relevant to its potential for participating in future projects.

PROSPECTS IN HUNAN PROVINCE

In the shorter term, we expect to see continuing growth in traffic demand within Hunan Province driven by continuing economic growth in the PRC in general and by associated growth in vehicle ownership and usage. Based on this expectation, we believe that traffic flow for the Sui-Yue Expressway (Hunan Section) will show continuing growth.

In view of the PRC Government's increased focus on the national expressway network, we anticipate that the expressway network within Hunan Province is set to become an integral component of a larger system by which locations within Hunan Province will be connected with major cities across the PRC.

POTENTIAL FURTHER PROJECTS

The Directors believe that their experience in successfully completing PRC toll-expressway projects, and the connections and reputation established by them within the PRC, will continue to lead to opportunities to participate in further projects. It is our plan to pursue opportunities which are consistent with its overall business strategies, and which we believe will generate a satisfactory return on investment.

In accordance with this strategy, we will pursue other infrastructure projects in China whenever suitable opportunity arises. Apart from developing new infrastructure projects, our Group 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.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Our Directors believe that the Share Offer will raise the corporate profile and enhance the capital base of our Group, enabling us to expand further the scale and scope of our operations.

On the assumption that the Over-allotment Option is not exercised, the net proceeds from the Share Offer, after deducting related expenses, are estimated to be approximately HK\$109 million (based on the mid-point of the Offer Price range of HK\$1.29 per Share). The estimated net proceeds of approximately HK\$109 million shall be used as capital contribution to Daoyue, our Group's project company, to finance the Sui-Yue Expressway (Hunan Section) project.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$18.7 million (based on the mid-point of the Offer Price range of HK\$1.29 per Share) will be used for the development expenses of the Sui-Yue Expressway (Hunan Section) project.

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes, it is the management's present intention to place such proceeds in short-term demand deposits, money-market instruments or other forms of banking deposits.

UNDERWRITERS

Public Offer Underwriters

Mizuho Securities Asia Limited Guotai Junan Securities (Hong Kong) Limited Phillip Securities (Hong Kong) Limited

Placing Underwriters

Mizuho Securities Asia Limited
Guotai Junan Securities (Hong Kong) Limited
CIMB Securities (HK) Limited
China Merchants Securities (HK) Co., Limited
KGI Capital Asia Limited
Goldin Equities Limited
Phoenix Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

The Public Offer Underwriting Agreement was entered into on December 10, 2009. Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option and Shares which may fall to be issued on the exercise of the options which may be granted under the Share Option Scheme) and to certain other conditions set forth in the Public Offer Underwriting Agreement (including the Lead Manager (on behalf of the Public Offer Underwriters) and our Company agreeing the Offer Price), the Public Offer Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or purchase or procure subscribers or purchasers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (A) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in Hong Kong, the PRC, the United States, the Cayman Islands, the European Union or in any other jurisdiction where any member of our Group is incorporated or has operation (each a "Relevant Jurisdiction"); or
 - (ii) any change or development involving a prospective change, or any event or series of events resulting in or representing any change or development involving a prospective change, in the local, national, regional or international financial, political, military, industrial, economic, currency, market, legal, fiscal, exchange control or regulatory conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency or Renminbi is linked to that of the currency of the United States); or
 - (iii) a material disruption or any moratorium on commercial banking activities or securities settlement or clearance services in any Relevant Jurisdiction; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on or by the Stock Exchange, the New York Stock Exchange or the Shanghai Stock Exchange; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any Relevant Jurisdiction adversely affecting an investment in shares; or
 - (vi) any adverse change or prospective adverse change in the business or trading position or prospects of any member of our Group (including any litigation or claim of third party being threatened or instigated against any member of our Group); or
 - (vii) any event, or series of event in the nature of force majeure, including, without limitation, acts of government, large scale labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, civil commotion, acts or threats of war, acts of God, terrorism, outbreak of diseases or epidemics including, but not limited to, SARS, H5N1, avian flu, influenza A (H1N1) (swine flu) and such related/mutated forms or extensive interruption or delay in transportation, economic sanction and any declaration of a national or international emergency or war in any Relevant Jurisdiction; or

(viii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus,

which, in the sole opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole or, in the case of paragraph (v) above, to any present or prospective shareholder of our Company in his/its capacity as such; or
- (b) has or will or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (c) makes it inadvisable, impracticable or inexpedient to proceed with the Share Offer or to market the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (B) there comes to the notice of the Lead Manager or any of the Public Offer Underwriters:
 - (i) any warranties or undertakings given by our Company, Mr. Chan or VIL under the Public Offer Underwriting Agreement is untrue, inaccurate or misleading in any material respect; or
 - (ii) any breach on the part of our Company, Mr. Chan or VIL of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (iii) that any matter which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (iv) that any statement contained in this prospectus, the Application Forms, the formal notice or any other announcement in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) has become or is discovered to be untrue, incorrect or misleading in any material respect; or
 - (v) that any event, act or omission which gives or is likely to give rise to any liability of a nature of our Company, Mr. Chan or VIL pursuant to the indemnity provisions under the Public Offer Underwriting Agreement; or
- (C) a valid demand is made by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

- (D) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter occurs in respect of any member of our Group; or
- (E) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.

UNDERTAKINGS

Undertakings to the Stock Exchange pursuant to the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By Mr. Chan and VIL

Pursuant to Rule 10.07(1) of the Listing Rules, each of Mr. Chan and VIL, our Controlling Shareholders, has undertaken to the Stock Exchange that he or it shall not and shall procure that the relevant registered holder(s) of the Share(s) will not:

(i) in the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is six months after the Listing Date (the "First Six-Month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of Mr. Chan and VIL has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) when he or it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

By us

We have undertaken to each of the Lead Manager and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option) and pursuant to the grant or exercise of options which may be granted under the Share Option Scheme, at any time during the period commencing on the date of the Public Offer Underwriting Agreement until the expiry of the First Six-Month Period, we will not, and will cause each member of our Group not to, without the prior written consent of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

(A) offer, allot, issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or any securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or any securities or any interest therein); or

- (B) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do, or publicly disclose that our Company will or may enter into, any transaction described in paragraph (A) above and this paragraph (B); or
- (C) effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares of persons who count as members of the "public" for the purposes of the Listing Rules below 25 per cent. of our Company's issued share capital.

In the event of an issue or a disposal of any Shares of our Company or any interest therein as described above at any time during the Second Six-Month Period, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the shares of our Company.

Undertakings by Mr. Chan and VIL

Each of Mr. Chan and VIL has undertaken to each of us, the Lead Manager and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to the Over-allotment Option) or otherwise pursuant to the Stock Borrowing Agreement, he or it will not and will procure that none of his or its associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it will without the prior written consent of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

(A) at any time during the period commencing on the date of the Public Offer Underwriting Agreement until the expiry of the First Six-Month Period, offer, pledge, charge, sell, lend, mortgage, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or any securities of our Company or any interest therein held by him or it (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive such share capital, debt capital or any securities of our Company or any interest therein) or enter into any swap, derivative, lending, pledge, or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do, or publicly disclose or make any public announcement of any intention to enter into any of the foregoing transactions;

- at any time during the Second Six-Month Period, offer, pledge, charge, sell, lend, mortgage, (B) assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or any securities of our Company or any interest therein held by him or it (including but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, such share capital, debt capital or any securities of our Company or any interest therein) or enter into any swap, derivative, lending, pledge, or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do, or publicly disclose or make any public announcement of any intention to enter into any of the foregoing transactions if, immediately following such transaction, he or it would cease to be our controlling shareholder as defined in the Listing Rules; and
- (C) in the event of a disposal by him or it of any of our share capital, debt capital or other securities or any interest therein during the Second Six-Month Period, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

Each of Mr. Chan and VIL has further undertaken to each of us, the Lead Manager and the Public Offer Underwriters that he or it will, within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date, immediately inform us, the Lead Manager and the Stock Exchange of:

- (A) any pledges or charges of any Shares or other securities of our Company beneficially owned by him or it and the number of such Shares or other securities so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (B) any indication received by him or it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that such Shares or other securities of our Company so pledged or charged will be disposed of.

We have agreed and undertaken to each of the Lead Manager and the Public Offer Underwriters that upon receiving such information in writing from any of Mr. Chan and VIL we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement.

THE PLACING

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with amongst other parties, the Placing Underwriters, subject to the conditions set out therein. The Placing Underwriters would severally agree to subscribe for the Placing Shares or procure subscribers for the Placing Shares being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer (including the Public Offer) will not proceed.

OVER-ALLOTMENT OPTION

Under the Placing Underwriting Agreement, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Lead Manager on behalf of the Placing Underwriters from time to time during the period commencing on the Listing Date and ending on the 30th day from the last date of lodging applications under the Public Offer, to require our Company to allot and issue up to 15,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the same price per Offer Share under the Public Offer and Placing, to cover over-allocations, if any, in the Placing.

TOTAL COMMISSION AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer, out of which each Underwriter will pay its own sub-underwriting commission and selling concessions (if any). The Placing Underwriters are expected to receive an underwriting commission of 2.5% of the aggregate Offer Price of the Placing Shares offered under the Placing.

Such fees and commissions, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately HK\$19.9 million (assuming an Offer Price of HK\$1.29 per Share and assuming the Over-allotment Option is not exercised), will be payable by our Company.

PUBLIC OFFER UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters or any of their respective holding companies, or any of their respective subsidiaries was beneficially interested, directly or indirectly, in any shareholding in our Company or any of its subsidiaries or has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. Assuming the Over-allotment Option is not exercised, the total number of Offer Shares under the Public Offer and the Placing is 100,000,000 Shares. 10,000,000 new Shares, representing 10% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Public Offer. 90,000,000 new Shares, representing 90% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription or purchase under the Placing. Both the Placing and the Public Offer are subject to re-allocation on the basis described in the paragraph headed "Offer mechanism — basis of allocation of the Offer Shares" below in this section.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of Shares to professional and institutional investors and other investors expected to have a sizeable demand for the Shares. Professional and institutional investors and other investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after the completion of the Share Offer. If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after the completion of the Share Offer and the exercise of the Over-allotment Option.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters, in each case, on a several basis, and each being subject to other conditions set out in the section headed "Underwriting" in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Bookrunner, for itself and on behalf of the Underwriters, and our Company on or before the Price Determination Date, which is currently scheduled on December 17, 2009 or by no later than December 21, 2009. If the Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before December 21, 2009, the Share Offer will not become unconditional and will lapse.

Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.35 per Offer Share and is expected to be not less than HK\$1.23 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Bookrunner, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of such a change. Such notice will also be available at the website of the Stock Exchange at www.hkex. com.hk and our website at www.huayu.com.hk. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Our Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before December 22, 2009 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese). Such announcement will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.huayu.com.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under WHITE or YELLOW application forms or applying online through the HK eIPO White Form service or by giving electronic application instructions to HKSCC will be made available as described under the section headed "How to Apply for Public Offer Shares - Publication of Results" in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.35 per Offer Share and is expected to be not less than HK\$1.23 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.35 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, amounting to a total of HK\$2,727.25 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.35 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional upon:

(a) Listing

the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued upon the exercise of the Over-allotment Option and Shares which may be issued pursuant to any option granted under the Share Option Scheme;

(b) Placing Underwriting Agreement

the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

(c) Underwriting Agreements becoming unconditional

the obligations of the Underwriters under each of the Placing Underwriting Agreement and Public Offer Underwriting Agreement having become unconditional, including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions by the Bookrunner, acting for itself and on behalf of the Underwriters, and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise,

in each case, on or before the dates and times specified in the respective Underwriting Agreements, unless and to the extent such conditions are validly waived on or before such dates and times, and in any event not later than the date which is 30 days after the date of this prospectus.

In the event that the Share Offer does not become unconditional, the Share Offer will lapse and a press announcement will be made by our Company as soon as possible. Details of the Underwriting Agreements and the conditions and grounds for termination are set out in the section headed "Underwriting" in this prospectus.

If any of these conditions is not fulfilled, or where applicable, waived by the Bookrunner, for and on behalf of the Underwriters prior to the times and dates specified, your application money will be returned to you as soon as possible without interest. The terms on which your money will be returned to you are set out in the section headed "How to Apply for Public Offer Shares — Refund of application monies" in this prospectus. In the meantime, the application monies will be held in one or more separate bank accounts with the receiving banker or other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE PUBLIC OFFER

Number of Shares Initially Offered

Our Company is initially offering 10,000,000 Public Offer Shares at the Offer Price, representing in aggregate 10% of the Offer Shares initially available under the Share Offer, for subscription by members of the public in Hong Kong. The Public Offer Shares will represent 2.5% of our Company's total issued share capital immediately after the completion of the Share Offer, assuming that the Over-allotment Option is not exercised. The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement and the Bookrunner and our Company agreeing the Offer Price.

The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not taken up any Shares under the Placing nor otherwise participated in the Placing nor has he/she indicated (nor will he/she indicate) an interest under the Placing, and such applicant's application will be rejected if such undertaking and confirmation is breached and, or found to be untrue, as the case may be. The completion of the Public Offer will be subject to the conditions stated under the section headed "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus.

Allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applications may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may change as a result of the clawback arrangement or any discretionary reallocation as described under the section headed "Structure of the Share Offer — Offer Mechanism — Basis of Allocation of the Offer Shares — Over-subscription" in this prospectus, or any reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing or any reallocation of the unsubscribed Placing Shares to the Public Offer as described under the sub-paragraph headed "Under-subscription" below in this section.

THE PLACING

Our Company is initially offering 90,000,000 new Shares representing in aggregate 90% of the total number of Offer Shares initially available under the Share Offer, for subscription by professional, institutional and individual investors by way of Placing. The Placing is expected to be fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement and the Bookrunner and our Company agreeing the Offer Price.

Pursuant to the Placing, it is expected that the Placing Underwriters or selling agents nominated by the Placing Underwriters on behalf of our Company shall place the Placing Shares at the Offer Price payable by the purchasers of the Placing Shares. Investors purchasing the Placing Shares are also required to pay 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy. Placing Shares will be placed with professional, institutional and individual investors in Hong Kong and certain other jurisdictions outside the United States. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and entities which regularly invest in shares and other securities.

In Hong Kong, retail investors should apply for the Offer Shares under the Public Offer, as retail investors applying for Placing Shares (including applying through banks and other institutions) are unlikely to be allocated any Placing Shares. If you are a professional, institutional or individual investor and have applied for the Placing Shares, you are required to declare that you have applied for the Placing Shares only. In such event, you will not receive any Shares under the Public Offer.

All decisions concerning the allocation of Placing Shares to prospective placees pursuant to the Placing will be made on the basis of and by reference to a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and, or hold or sell its Placing Shares, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

OFFER MECHANISM — BASIS OF ALLOCATION OF THE OFFER SHARES

The Share Offer

There will initially be a total of 10,000,000 Public Offer Shares available for subscription under the Public Offer under the **WHITE** and **YELLOW** Application Forms or by applying online through the **HK eIPO White Form** service or by giving electronic application instructions to HKSCC.

For allocation purposes only, the total number of Public Offer Shares initially available for public subscription under the Public Offer (taking into account any adjustment of Offer Shares between the Placing and the Public Offer referred to below) is to be divided equally into two pools: pool A comprising 5,000,000 Public Offer Shares and pool B comprising 5,000,000 Public Offer Shares. The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding SFC transaction levy, Stock Exchange trading fee and brokerage payable thereon) of HK\$5 million or less. The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding SFC transaction levy, Stock Exchange trading fee and brokerage payable thereon) of more than HK\$5 million and up to the total value of pool B.

Applicants should be aware that applications within the same pool, and as well as between different pools, are likely to receive different allocation ratios. Where one of the pools is undersubscribed and the other pool is oversubscribed, the surplus Public Offer Shares from the undersubscribed pool will be transferred to the other pool to satisfy excess demand in the oversubscribed pool and be allocated accordingly. Applicants can only apply to receive an allocation of Public Offer Shares in either pool A or pool B but not from both pools. No applications will be accepted from investors applying for more than the total number of Public Offer Shares originally allocated to each pool. Multiple applications or suspected multiple applications within either pool or between pools will be rejected.

Applicants under the Public Offer will be required each to give an undertaking and confirmation in the Application Form submitted by them that they and any person(s) for whose benefit they are making the application will not receive any Placing Shares under the Placing, have not indicated and will not indicate an interest for any Placing Shares under the Placing, and their applications are liable to be rejected if the said undertaking and, or confirmation is breached and, or untrue, as the case may be. The Bookrunner (as agent for our Company) in consultation with our Company have full discretion to reject or accept any application, or to accept only part of any application.

Allocation of the Public Offer Shares, including any Offer Shares which may be reallocated from the Placing, under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, the basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant. The allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares in such circumstances than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the potential investors are likely to buy further Shares, or hold or sell their Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole. Investors who have been allocated any of the Placing Shares under the Placing will not be allocated any Public Offer Shares under the Public Offer. Similarly, investors who have been allocated any Public Offer Shares under the Public Offer will not be allocated any Placing Shares under the Placing.

Over-subscription

The allocation of the Offer Shares between the Public Offer and the Placing is subject to the clawback arrangement in the event of over-subscription under the Public Offer. If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available under the Public Offer will be 30,000,000 Shares (representing approximately 30% of the total number of the Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 40,000,000 Shares (representing approximately 40% of the total number of Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 50,000,000 Shares (representing approximately 50% of the total number of the Offer Shares available under the Share Offer, assuming the Over-allotment Option is not exercised). In each such case, the additional Shares reallocated to the Public Offer will be correspondingly increased and allocated equally between Pool A and Pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

In addition, Mizuho has the absolute discretion to reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

Under-subscription

If the Public Offer is not fully subscribed, Mizuho may in its absolute discretion reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate provided that there is sufficient demand under the Placing to take up such reallocated Shares.

If the Placing is not fully subscribed, Mizuho may in its absolute discretion, in addition to any reallocation of the Offer Shares from the Placing to the Public Offer under the clawback arrangement described under the Over-subscription section above, reallocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such reallocated Shares. Details of any reallocation of Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on December 22, 2009 in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

OVER-ALLOTMENT OPTION

Under the Placing Underwriting Agreement, our Company is expected to grant to the Placing Underwriters the right but not the obligation to exercise the Over-allotment Option, exercisable by the Bookrunner (on behalf of the Placing Underwriters) from time to time commencing on the Listing Date and ending on the 30th day after the last day for lodging of applications under the Public Offer. Under the Over-allotment Option, the Bookrunner will have the right to require our Company to issue at the Offer Price up to 15,000,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer, solely for the purpose of covering over-allocations in the Placing, if any. The Over-Allotment Option may be exercised in full or in part at any time during the period in which it is exercisable.

If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, Mizuho, as stabilising manager, or any person acting for it, may over-allot or effect any other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the trading of the Shares commences on the Stock Exchange. Such stabilisation transactions may include exercising the Over-allotment Option, stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases. Any such market purchases will be effected at prices not exceeding the Offer Price and in compliance with all applicable laws, rules and regulatory requirements of Hong Kong. However, there is no obligation on Mizuho or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of Mizuho and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares over-allocated will not be greater than the number of Shares which may be issued upon the full exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, Mizuho, or any person acting for them, may maintain a long position in the Shares. The size of the long position, and the period for which Mizuho, or any person acting for them, will maintain the long position is at the discretion of Mizuho and is uncertain. In the event that Mizuho liquidate this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising action by Mizuho, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Public Offer. The stabilising period is expected to end on January 15, 2010. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore its market price, could fall.

Within seven days after the end of the stabilising period, Mizuho will ensure that a public announcement containing such information as required by the Securities and Futures (Price Stabilizing) Rules under the SFO be issued whether by or on behalf of our Company or by Mizuho.

Any stabilising action taken by Mizuho, or any person acting for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by Mizuho, or any person acting for it, may be made at a price at or below the Offer Price, which means that stabilising bids may be made or transactions may be effected at a price below the price the applicants or investors have paid for the Shares

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the Placing, it is expected that VIL and Mizuho will enter into the Stock Borrowing Agreement pursuant to which VIL would, if requested by Mizuho, make available to Mizuho up to 15,000,000 Shares held by it, by way of stock lending, in order to facilitate settlement of over-allocations in connection with the Placing.

The stock borrowing arrangements pursuant to the Stock Borrowing Agreement are expected to be on the following terms in compliance with the requirements set out in Rule 10.07(3) of the Listing Rules and shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules:

- such stock borrowing arrangements will only be effected by Mizuho for settlement of overallocations in the Placing;
- the maximum number of Shares borrowed from VIL will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- the same number of Shares so borrowed from VIL will be returned to it or its nominees (as the case may be) on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full;
- the arrangements under the Stock Borrowing Agreement will be effected in compliance with all the applicable laws, rules and regulatory requirements; and
- no payment will be made to VIL by Mizuho under the Stock Borrowing Agreement.

1. METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a WHITE or YELLOW Application Form; (ii) applying online through the designated website of the HK eIPO White Form Service Provider (www.hkeipo.hk), referred to herein as the "HK eIPO White Form service"; or (iii) by giving electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or applying online through the HK eIPO White Form service or by giving electronic application instructions to HKSCC.

2. WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Public Offer Shares in an offshore transaction (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Bookrunner (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Bookrunner or the designated HK eIPO White Form Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares, or Directors or chief executives of our Company or any of our subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or our subsidiaries.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

3. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Offer Shares are not available to existing beneficial owners of Shares in our Company, the Directors or chief executives of our Company or any of our subsidiaries, or associates of any of them or to a connected person (as defined in the Listing Rules) of our Company or a person who is not outside the United States and will not be acquiring the Public Offer Shares in an offshore transaction (as defined in Regulation S) or persons who do not have a Hong Kong address.

Where to collect the WHITE and YELLOW Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

any of the Public Offer Underwriters:

Mizuho Securities Asia Limited 12th Floor, Chater House,

8 Connaught Road Central,

Hong Kong

Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block,

Grand Millennium Plaza, 181 Queen's Road Central,

Hong Kong

Phillip Securities (Hong Kong) Limited 11/F, United Centre,

95 Queensway, Hong Kong

or any one of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	Branch Name	Address
Hong Kong Island:	Queen's Road Central Branch Wanchai Branch	122-126 Queen's Road Central, Central 117-123 Hennessy Road, Wanchai
Kowloon:	Tsimshatsui East Branch	Shop B, G/F., Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street,
	Mei Foo Branch	Hung Hom Shop N95A, 1/F., Mount Sterling Mall, Mei Foo Sun Chuen
New Territories:	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Sha Tsui Road Branch	Shop 4, G/F., Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan

or any one of the following branches of Wing Lung Bank Limited:

	Branch Name	Address
Hong Kong Island:	Head Office Johnston Road Branch North Point Branch Aberdeen Branch	45 Des Voeux Road Central 118 Johnston Road 361 King's Road 201 Aberdeen Main Road
Kowloon:	Lamtin Sceneway Plaza Branch Sham Shui Po Branch San Po Kwong Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road, Lamtin 111 Tai Po Road, Sham Shui Po 8 Shung Ling Street, San Po Kwong
New Territories:	Sheung Shui Branch	128 San Fung Avenue, Sheung Shui

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on December 11, 2009 until 12:00 noon on December 16, 2009 from:

- (1) The **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) Your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Forms

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, among other things:

 you agree with our Company and each shareholder of our Company, and our Company agrees with each of our shareholders, to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;

- (ii) you confirm that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- (iii) you **agree** that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iv) you **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally or provisionally) any Placing Share nor otherwise participated in the Placing;
- (v) you agree to disclose to our Company, the Bookrunner, the Underwriters, the share registrars, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (vi) instruct and authorize our Company and/or the Bookrunner (or their respective agents or nominees), as agents of our Company, to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s) (for applicants on a WHITE Application Form) or in the name of HKSCC Nominees (for applicants on a YELLOW Application Form), as required by the Articles of Association, and otherwise to give effect to the arrangements described in this prospectus and the Application Forms:
- (vii) undertake to sign all documents and to do all things necessary to enable you (for applicants on a WHITE Application Form) or the name of HKSCC Nominees (for applicants on a YELLOW Application Form) to be registered as the holder of the Public Offer Shares to be allotted to you, and as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- (viii) warrant the truth and accuracy of the information contained in your application;
- (ix) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Bookrunner and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

- (x) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that you understand that the Public Offer Shares have not been and will not be registered under the Securities Act and you and any person for whose account or benefit you are acquiring the Public Offer Shares are outside the United States (as defined in Regulation S under the Securities Act) when completing the Application Form;
- (xiii) **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allotted to you under the application; and
- (xiv) **agree** that the processing of your application, including the dispatch of refund cheque(s) (if any), may be done by any of our Company's receiving bankers and is not restricted to the bank at which your application was lodged.

In order for the **YELLOW** Application Forms to be valid:

you, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- (i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - (a) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) If the application is made by an individual CCASS Investor Participant:
 - (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- (a) the Application Form must contain the names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, our Company, the Bookrunner, the Underwriters and their respective agents and nominees, each severally as our agent(s), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. We and the Bookrunner, in the capacity as our agent, or its agents or nominees, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. APPLYING THROUGH HK EIPO WHITE FORM

General

- (i) You may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk if you satisfy the relevant eligibility criteria for this as set forth in the section headed "How to Apply for Public Offer Shares 2. Who can apply for Public Offer Shares" above and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the HK eIPO White Form service are set forth on the designated website at <u>www.hkeipo.hk</u>. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to our Company.

- (iii) If you give **electronic application instructions** through the designated website at **www.hkeipo.hk**, you will have authorized the designated HK eIPO White Form Service Provider to apply on the terms and conditions set forth in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.
- (iv) In addition to the terms and conditions set forth in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the HK eIPO White Form service. Such terms and conditions are set forth on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to our Company and our registrars.
- (vi) You may submit an application through the HK eIPO White Form service in respect of a minimum of 2,000 Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (vii) You should give electronic application instructions through **HK eIPO White Form** service at the times set out in the section headed "How to Apply for Public Offer Shares 9. Members of the Public Time for Applying for Public Offer Shares" below.
- (viii) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, December 16, 2009 or such later time as described under the section headed "How to Apply for Public Offer Shares 10. Effect of Bad Weather on the Opening of the Application Lists" below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk
- (ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(x) Warning: The application for Public Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Bookrunner and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Public Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the HK eIPO White Form service, you should submit a WHITE Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a WHITE or YELLOW Application Form or give electronic application instruction to HKSCC.

Conditions of the HK eIPO White Form service

In using the HK eIPO White Form service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- Applies for the desired number of Public Offer Shares on the terms and conditions of
 this prospectus and the HK eIPO White Form designated website at www.hkeipo.hk
 subject to the Articles of Association of our Company;
- **Undertakes** and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **Declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the HK eIPO White Form Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- Undertakes and confirms that the applicant and the person for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally and/or provisionally) any Placing Shares, nor otherwise participated in the Placing;

- Understands that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- Authorizes our Company to place the applicant's name on the register of members of our Company as the holder of any Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the HK eIPO White Form application except where the applicant has applied for 1,000,000 or more Public Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the HK eIPO White Form designated website at www.hkeipo.hk and this prospectus;
- Requests that any refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set forth in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the HK eIPO White Form application (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the HK eIPO White Form designated website at www.hkeipo.hk and this prospectus;
- Has read the terms and conditions and application procedures set forth on the HK eIPO
 White Form designated website at www.hkeipo.hk and this prospectus and agrees to be
 bound by them;
- Represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant is applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the Securities Act) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the Securities Act or the allotment of or application for the Public Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **Agrees** that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the HK eIPO White Form service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorize our Company, the Bookrunner as agent for our Company (or
 their respective agents or nominees) to do on your behalf all things necessary to register
 any Public Offer Shares allotted to you in your name as required by the Articles of
 Association and otherwise to give effect to the arrangements described in this prospectus
 and the HK eIPO White Form designated website at www.hkeipo.hk;
- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- agree that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your
 application has been accepted, you may not rescind it because of an innocent
 misrepresentation;
- (if the application is made for your own benefit) warrant that this is the only application
 which has been or will be made for your benefit on a WHITE or YELLOW Application
 Form or by giving electronic application instructions to HKSCC or to the HK eIPO
 White Form Service Provider via the HK eIPO White Form service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit the application as that other person's agent;
- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Placing Shares;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to our Company, the Bookrunner, the Underwriters, the share registrars, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- agree with our Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Companies Ordinance, the Companies Law, the Memorandum of Association and the Articles of Association;
- agree with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- authorize our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum and Articles of Association of our Company;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- represent and warrant that you understand that the Shares have not been and will not be registered under the Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set forth
 in this prospectus and the HK eIPO White Form designated website at www.hkeipo.
 hk and agree to be bound by them;

- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Bookrunner and the Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the HK eIPO White Form designated website at www.hkeipo.hk.

Our Company, the Bookrunner, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorized attorney, our Company or the Bookrunner, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, the designated HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons is set forth below in the section headed "How to Apply for Public Offer Shares — 13. Dispatch/Collection of Share Certificates and Refund Cheques" below.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre 2/F, Vicwood Plaza 199 Des Voeux Road Central Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Branch Share Registrar.

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Public Offer Shares to be allotted shall be issued in the name of
 HKSCC Nominees and deposited directly into CCASS for the credit of the stock
 account of the CCASS Participant who has inputted electronic application
 instructions on that person's behalf or that person's CCASS Investor Participant
 stock account;
 - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Placing Shares nor otherwise participated in the Placing;
 - (if the electronic application instructions are given for that person's own benefit)
 declares that only one set of electronic application instructions has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by our Company, our
 Directors and the Bookrunner in deciding whether or not to make any allotment of
 Public Offer Shares in respect of the electronic application instructions given by
 that person and that that person may be prosecuted if he makes a false declaration;
 - **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;
 - **confirms** that that person has received a copy of this prospectus and has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- **agrees** that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company, the Bookrunner, the Underwriters, the share registrars, the receiving bankers and/ or their respective advisers and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees Limited is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer made available by our Company;
- agrees to the arrangements, undertakings and warranties specified in the
 participant agreement between that person and HKSCC, read with the General
 Rules of CCASS and the CCASS Operational Procedures, in respect of the giving
 of electronic application instructions relating to Public Offer Shares;

- agrees with our Company, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Offer Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the WHITE Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic application instructions to HKSCC via CCASS terminals to apply for Public Offer Shares.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

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Friday, December 11, 2009 — 9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, December 12, 2009 — 8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, December 14, 2009 — 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, December 15, 2009 — 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, December 16, 2009 — 8:00 a.m. <sup>(1)</sup> to 12:00 noon
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(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 11, 2009 until 12:00 noon on Wednesday, December 16, 2009 (24 hours daily, except the first and the last application days).

Effect of Bad Weather on the Opening of the Application Lists

The latest time for inputting your **electronic application instructions** via CCASS will be 12:00 noon on Wednesday, December 16, 2009, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 16, 2009, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists of the Public Offer do not open and close on December 16, 2009 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in the prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Bookrunner and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, December 16, 2009.

6. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Public Offer Shares if and only if:

You are a **nominee**, in which case you may give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White**Form service by giving electronic application instructions through the designated website at

www.hkeipo.hk and completing payment in respect of such electronic application
instructions, or of submitting one application through the **HK eIPO White Form** service and
one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction, you (and if you are joint applicants, each of you jointly and severally):

- (if the application is made for your own benefit) warrant that the application is the only application which has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or the designated HK eIPO White Form Service Provider through the HK eIPO White Form service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or the designated HK eIPO White Form Service Provider through the HK eIPO White Form service, and that you are duly authorized to sign the Application Form or give electronic application instructions as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on
 a WHITE or YELLOW Application Form or by giving electronic application
 instructions to HKSCC or the designated HK eIPO White Form Service Provider
 through the HK eIPO White Form service; or
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service; or

- apply (whether individually or jointly with others) on one WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or the designated HK eIPO White Form Service Provider through the HK eIPO White Form service for more than 5,000,000 Shares, being 50% of the Shares initially being offered for public subscription under the Public Offer, as more particularly described in the section headed "Structure of the Share Offer—The Public Offer" in this prospectus; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares.

All of your applications will also be rejected as multiple applications if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or the designated HK eIPO White Form Service Provider through the HK eIPO White Form service is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part
 of it which carries no right to participate beyond a specified amount in a distribution of
 either profits or capital).

7. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum offer price is HK\$1.35 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Shares you will pay HK\$2,727.25. The Application Forms have tables showing the exact amount payable for multiples of Shares up to 5,000,000 Shares. Your application must be for a minimum of 2,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set forth in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be) and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

8. REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund cheques will be retained for our benefit.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$1.35 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please refer to the section headed "How to Apply for Public Offer Shares — 13. Dispatch/Collection of Share Certificates and Refund Cheques" below.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Bookrunner, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on or about Tuesday, December 22, 2009 in accordance with the various arrangements as described in this section.

9. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR PUBLIC OFFER SHARES

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, December 16, 2009, or, if the application lists are not open on that day, then by the time and date stated in the section headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Industrial and Commercial Bank of China (Asia) Limited or Wing Lung Bank Limited (please refer to the section headed "How to Apply for Public Offer Shares — Applying by Using a White or Yellow Application Form — Where to collect the WHITE and YELLOW Application Forms" above) at the following times:

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Friday, December 11, 2009 — 9:00 a.m. to 5:00 p.m. Saturday, December 12, 2009 — 9:00 a.m. to 1:00 p.m. Monday, December 14, 2009 — 9:00 a.m. to 5:00 p.m. Tuesday, December 15, 2009 — 9:00 a.m. to 5:00 p.m. Wednesday, December 16, 2009 — 9:00 a.m. to 12:00 noon
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HK eIPO White Form

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Friday, December 11, 2009 until 11:30 a.m. on Wednesday, December 16, 2009 or such later time as described under the section headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" below (24 hours daily, except on the first and the last application days). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 16, 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

You should make payment for your application made by HK eIPO White Form service in accordance with the methods and instructions set forth in the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, December 16, 2009, or such later time as described under the section headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, December 16, 2009.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 16, 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists of the Public Offer do not open and close on Wednesday, December 16, 2009 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in the prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to release and announce the Offer Price, level of indication of interest in the Placing, level of applications in the Public Offer and basis of allotment under the Public Offer on Tuesday, December 22, 2009 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our website at www.huayu.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Public Offer will be made available at the times and date and in the manner specified below:

- on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.huayu.com.hk on Tuesday, December 22, 2009;
- on our Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Tuesday, December 22, 2009 to 12:00 midnight on Monday, December 28, 2009. The user of our Public Offer results of allocations website at www.tricor.com.hk/ipo/result will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their application has been successful and the number of Public Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, December 22, 2009 to Monday, December 28, 2009 (excluding Saturday, Sunday and Public Holidays in Hong Kong); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, December 22, 2009 to Thursday, December 24, 2009 at all the receiving banker branches and sub-branches at the address set forth in the section headed "How to Apply for Public Offer Shares 3. Applying by Using a White or Yellow Application Form Where to collect the WHITE and YELLOW Application Forms".

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Public Offer Shares are set forth in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or applying online through the HK eIPO White Form service), and you should read them carefully. You should note in particular the following situations in which the Public Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving an electronic application instruction to HKSCC or the designated eIPO Service Provider through HK eIPO White Form service, you agree that your application or the application made by HKSCC Nominees or the HK eIPO White Form Service Provider on your behalf may not be revoked on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through HK eIPO White Form service and an application has been made by HKSCC Nominees or the HK eIPO White Form Service Provider respectively on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the HK eIPO White Form Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

 Full discretion of our Company, the Bookrunner or the designated HK eIPO White Form Service Provider (where applicable) or their agents and nominees to reject or accept your application:

Our Company, the Bookrunner (as agent for our Company) or the designated HK eIPO White Form Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company and the Bookrunner, in its capacity as our Company's agent, and our agents and nominees do not have to give any reason for any rejection or acceptance.

• If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

• You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares. By filling in any of the Application Forms or applying by giving electronic application instructions to HKSCC or to HK eIPO White Form Service Provider through HK eIPO White Form service, you agree not to apply for Public Offer Shares as well as Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;
- your electronic application instructions through the HK eIPO White Form service are not completed in accordance with the instructions, terms and conditions set forth in the designated website at www.hkeipo.hk;
- your payment is not made correctly;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

- our Company or the Bookrunner believes that by accepting your application, this
 would violate the applicable securities or other laws, rules or regulations of the
 jurisdiction in which your application is completed and/or signed;
- if you apply for more than 50% of the Public Offer Shares initially being offered in the Public Offer for subscription (that is 5,000,000 Offer Shares);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both.

13. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.35 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents or evidence of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through the **HK eIPO White Form** service: (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful. For wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below; and/or

(b) for applications on WHITE or YELLOW Application Forms or by giving electronic application instructions through the HK eIPO White Form service, refund cheque(s) crossed "Account payee only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under WHITE or YELLOW Application Forms or by giving electronic application instructions through the HK eIPO White Form service; and share certificates for wholly and partially successful applicants under WHITE Application Forms or by giving electronic application instructions through the HK eIPO White Form service are expected to be posted on or around Tuesday, December 22, 2009. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" has not been exercised.

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Public Offer Shares or more on a WHITE Application Form and have indicated your intention in your Application Form to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) from Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, December 22, 2009 or such other date as notified by us in the newspapers as the date of collection/dispatch of share certificates/refund cheques. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, December 22, 2009, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, December 22, 2009, by ordinary post and at your own risk.

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, December 22, 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

for Public Offer Shares credited to the stock account of your designated CCASS
 Participant (other than a CCASS Investor Participant), you can check the number
 of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

• we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" on Tuesday, December 22, 2009. You should check the announcement made by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 22, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

(c) If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, December 22, 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund cheques.

If you do not collect share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk on Tuesday, December 22, 2009, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated HK eIPO White Form Service Provider set forth above in the section headed "How to Apply for Public Offer Shares — 4. Applying Through HK eIPO White Form – Additional Information".

(d) If you apply by giving electronic application instructions to HKSCC:

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents or evidence of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, December 22, 2009, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to make available the Offer Price, the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the section headed "How to Apply for Public Offer Shares 11. Publication of Results" and to publish the basis of allotment of the Public Offer Shares in the newspapers on Tuesday, December 22, 2009. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 22, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 22, 2009. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 22, 2009. No interest will be paid thereon.

14. COMMENCEMENT OF DEALINGS IN THE OFFER SHARES

Dealings in the Offer Shares on the Stock Exchange are expected to commence on Wednesday, December 23, 2009.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1823.

15. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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



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

11 December 2009

The Directors Huayu Expressway Group Limited Mizuho Securities Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Huayu Expressway Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Period"), the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheet of the Company as at 30 June 2009 and the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 11 December 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 30 November 2009 (the "Reorganisation") as detailed in the section headed "History, Development and Group Structure" in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and the companies comprising the Group, except for Hunan Daoyue Expressway Industry Co., Ltd. and Bright Regent Limited, as they were either incorporated shortly before 30 June 2009 or have not carried on any business since their respective dates of incorporation or are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to 30 June 2009 for the purpose of this report.

The statutory financial statements of Hunan Daoyue Expressway Industry Co., Ltd. and Bright Regent Limited, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China ("PRC") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") respectively, were audited during the Relevant Period by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
Hunan Daoyue Expressway Industry Co., Ltd. 湖南道岳高速公路實業有限公司 (Note)	Years ended 31 December 2007 and 2008	Hunan Gongzhong Certified Public Accountants Co. Ltd 湖南公眾會計師事務所有限公司 (Note)
Bright Regent Limited	Years ended 31 December 2006, 2007 and 2008	Lau, Cheung, Fung & Chan Certified Public Accountants

Note: The English translation of the company name is for reference only. The official name of this company is in Chinese.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with accounting policies as referred to in Section C below, which are in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). HKFRSs include Hong Kong Accounting Standards and Interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, the combined state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and the state of affairs of the Company as at 30 June 2009.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, combined statement of comprehensive income, combined statement of changes in equity and combined cash flow statement for the six months ended 30 June 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

As the ultimate controlling shareholder which controlled the companies now comprising the 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 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 Group as set out in Sections B1, B2, B4 and B5 below respectively include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2006, for the period from their respective dates of incorporation/establishment to 30 June 2009) as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 as set out in Section B3 below have been prepared to present the state of affairs of the companies comprising the 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, the Company 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	Attribu equity in Direct		Principal activities
Top Talent Holdings Limited ("Top Talent")	British Virgin Islands ("BVI") 18 March 2003	US\$1/ US\$50,000	100%	_	Investment holding
Good Sign Limited ("Good Sign")	Hong Kong 19 December 2008	HK\$1/ HK\$10,000	_	100%	Investment holding
Bright Regent Limited ("Bright Regent")	Hong Kong 10 October 2003	HK\$2/HK\$10,000	_	100%	Investment holding
Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue")*	The PRC 22 December 2006	RMB280,190,000/ RMB600,950,000	_	90%	Construction, operation and management of an expressway in the PRC

^{*} This entity is a Sino-foreign equity joint venture in the form of a private company with limited liability established in the PRC.

There has been no change in the Company's direct or indirect interest in the above subsidiaries since it becomes the holding company of the group up to the date of this report.

B FINANCIAL INFORMATION

1 Combined income statements

	Section C	Years	ended 31 Dec	ember	Six mont 30 J	
	Note	2006	2007	2008	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Turnover	2	1,874	5,573	10,080	1,530	23,988
Cost of construction services	_	(1,833)	(5,450)	(9,858)	(1,496)	(23,460)
Gross profit		41	123	222	34	528
Other revenue	3	6	46	126	35	39
Administrative expenses	_	(838)	(1,003)	(3,569)	(1,522)	(3,664)
Loss before taxation	4	(791)	(834)	(3,221)	(1,453)	(3,097)
Income tax benefit	5(a) _	271	168	831	372	487
Loss for the year/period	_	(520)	(666)	(2,390)	(1,081)	(2,610)
Attributable to:						
— Equity shareholders of			()			<i>(</i> - . - .)
the Company		(465)	(588)	(2,140)	(970)	(2,424)
— Minority interests	_	(55)	(78)	(250)		(186)
Loss for the year/period	=	(520)	(666)	(2,390)	(1,081)	(2,610)
Loss per share (HK\$)						
— Basic and Diluted	9	(0.0016)	(0.0020)	(0.0071)	(0.0032)	(0.0081)

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Loss for the year/period	(520)	(666)	(2,390)	(1,081)	(2,610)
Other comprehensive income for the year/period					
Exchange differences on translation of financial statements of overseas subsidiaries,					
net of nil tax	131	3,725	3,982	4,774	488
Total comprehensive (loss)/					
income for the year/period	(389)	3,059	1,592	3,693	(2,122)
Attributable to: — Equity shareholders of					
the Company	(347)	2,765	1,445	3,327	(1,985)
— Minority interests	(42)	294	147	366	(137)
Total comprehensive (loss)/					
income for the year/period	(389)	3,059	1,592	3,693	(2,122)

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

	Section C	As at 31 December			As at 30 June
	Note	2006	2007	2008	2009
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment Intangible assets — service	10	9	244	1,968	1,903
concession arrangement	11	1,916	7,858	90,373	226,223
Prepayments	12	_	_	29,002	45,208
Deferred tax assets	17	277	472	1,341	1,833
		2,202	8,574	122,684	275,167
Current assets					
Prepayments and other receivables Amounts due from	13	93	6,069	385	4,745
a related party	14	_	42,888	10,999	_
Cash and cash equivalents	15	49,824	1,486	3,886	149,525
		49,917	50,443	15,270	154,270
Current liabilities					
Accruals and other payables Amount due to controlling	16	14	13	27,949	30,974
shareholder of the Company	14	13	20	349	211,534
Amount due to a related party	14	2,825	6,658		
		2,852	6,691	28,298	242,508
Net current assets/(liabilities)		47,065	43,752	(13,028)	(88,238)
Total assets less current liabilities		49,267	52,326	109,656	186,929
Non-current liabilities					
Long-term bank loan	18	<u>—</u>	<u> </u>	<u> </u>	170,520
NET ASSETS				109,656	
		.,207	= 2,520	107,000	10,107

3 Combined balance sheets (Continued)

	Section C	As	at 31 Decem	ıher	As at 30 June
	Note	2006	2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves	19				
Share capital		_	_	_	_
Reserves		44,342	47,107	98,716	(5,736)
Total equity attributable to equity shareholders					
of the Company		44,342	47,107	98,716	(5,736)
Minority interests		4,925	5,219	10,940	22,145
TOTAL EQUITY		49,267	52,326	109,656	16,409

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

		Attributable to equity shareholders of the Company						
	Section C Note	Share capital HK\$'000 (Note 19(a))	Other reserve HK\$'000 (Note 19(b)(i)) (reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total <i>HK\$</i> '000
Balance at 1 January 2006		_	_	_	(10)	(10)	_	(10)
Changes in equity for 2006: Capital injection Total comprehensive income/	19(b)(i)	_	44,699	_	_	44,699	4,967	49,666
(loss) for the year				118	(465)	(347)	(42)	(389)
Balance at 31 December 2006 and 1 January 2007		_	44,699	118	(475)	44,342	4,925	49,267
Changes in equity for 2007: Total comprehensive income/ (loss) for the year				3,353	(588)	2,765	294	3,059
Balance at 31 December 2007 and 1 January 2008		_	44,699	3,471	(1,063)	47,107	5,219	52,326
Changes in equity for 2008: Capital injection Total comprehensive income/	19(b)(i)	_	50,164	_	_	50,164	5,574	55,738
(loss) for the year		_	_	3,585	(2,140)	1,445	147	1,592
Balance at 31 December 2008 and 1 January 2009			94,863	7,056	(3,203)	98,716	10,940	109,656
Changes in equity for the six months ended 30 June 2009:								
Capital injection	19(b)(i)	_	102,078	_	_	102,078	11,342	113,420
Arising on Reorganisation Total comprehensive income/ (loss) for the period	19(b)(i)		(204,545)	439	(2,424)	(204,545)	(137)	(204,545)
Balance at 30 June 2009			(7,604)	7,495	(5,627)	(5,736)	22,145	16,409

4 Combined statements of changes in equity (Continued)

		Attrib	utable to equ					
	Section C	Share	Other	Exchange	Accumulated		Minority	
	Note	capital	reserve	reserve	losses	Total	interests	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 19(a))	$(Note\ 19(b)(i))$	(Note 19(b)(ii))				
Unaudited								
Balance at 1 January 2008		_	44,699	3,471	(1,063)	47,107	5,219	52,326
Changes in equity for the six months ended 30 June 2008:								
Capital injection	19(b)(i)	_	50,164	_	_	50,164	5,574	55,738
Total comprehensive income/								
(loss) for the period		_	_	4,297	(970)	3,327	366	3,693
Balance at 30 June 2008		_	94,863	7,768	(2,033)	100,598	11,159	111,757

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	Section C	C Years ended 31 December			Six mont 30 J	hs ended une
	Note	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Net cash generated from/ (used in) operating activities	15(b)	1,999	(3,589)	26,489	1,492	(721)
Investing activities						
Payment for the purchase of property, plant and equipment Payment for intangible assets Increase in prepayments Interest received	10 12	(14) (1,833) — 6	(257) (5,450) — 46	(1,841) (81,057) (29,002) 98	(118) (11,962) — 35	(127) (132,293) (16,206) 39
Net cash used in investing activities		(1,841)	(5,661)	(111,802)	(12,045)	(148,587)
Financing activities						
(Increase)/decrease in amount due from a related party Proceeds from long-term bank loan Capital contribution by controlling shareholder		_ _	(42,888)	31,889	(37,983)	10,999 170,520
of the Company		44,699	_	50,164	50,164	102,078
Capital contribution by minority interests	_	4,967	<u> </u>	5,574	5,574	11,342
Net cash generated from/ (used in) financing activit	ies <u>-</u>	49,666	(42,888)	87,627	17,755	294,939
Net increase/(decrease) in cash and cash equivale	nts	49,824	(52,138)	2,314	7,202	145,631
Cash and cash equivalents at beginning of the year/period		_	49,824	1,486	1,486	3,886
Effect of foreign exchange rate changes	_	<u> </u>	3,800	86	97	8
Cash and cash equivalents at end of the year/period	15	49,824	1,486	3,886	8,785	149,525

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The Group has not presented combined financial statements previously. This is the Group's first HKFRS Financial Information and HKFRS 1 has been applied.

The HKICPA has issued certain new and revised HKFRSs that are not yet effective for the financial periods included in the Relevant Period. The Group has not early adopted these HKFRSs in preparing the Financial Information for the Relevant Period (see note 26).

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Company and its subsidiaries.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The Financial Information presents the combined results, combined cash flows and combined financial position of the Group for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 on the basis that the Company, for the purpose of this report, is regarded as a continuing entity and that the Reorganisation had been completed as at the beginning of the Relevant Period and that the business of the Group had been conducted by the Company throughout the Relevant Period as that are related to entities under common control.

The Financial Information has been prepared in accordance with the going concern basis notwithstanding the net current liabilities of the Group at 31 December 2008 and 30 June 2009. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending 30 June 2010 and the fact that a long-term loan agreement has been signed by a subsidiary of the Group with Shenzhen Longgang Branch of China Merchants Bank on 30 April 2009 for a bank loan with total amount of not exceeding RMB1,100 million of which the Group has an available banking facilities of RMB950 million as at 30 June 2009. The Group will have necessary liquids funds to finance its working capital and capital expenditure requirements up to 30 June 2010.

The preparation of the Financial Information 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the Financial Information (continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 25.

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

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the 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.

Financial statements of the subsidiaries are 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the combined balance sheets and combined statements of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements and the combined statements of comprehensive income as an allocation of the total profit or loss for the year/period between minority interests and the equity shareholders of the Company.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and minority interests (continued)

Where losses attributable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(d) Business combinations involving entities under common control

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 combined 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 excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, 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 combined Financial Information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

(e) Property, plant and equipment

Property, plant and equipment are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost 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:

Motor vehiclesFurniture and fixtures5 years5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible asset — service concession arrangement

The Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of an expressway in the PRC. The Group carries out the construction of an expressway for the granting authorities and receives in exchange for the right to operate the expressway concerned and the entitlement to toll fees collected from users of the concession infrastructure.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The concession grantor has 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 a service concession arrangement 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(h)).

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

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 is calculated to write off the cost of intangible assets arising from a service concession arrangement on a straight-line basis over the estimated useful life, which is the period when it is available for use to the end of the concession period. Where an item of infrastructure assets included in the intangible asset arising from a service concession arrangement has different period of expected future economic benefits flowing to the Group than the concession period, it is amortised separately. Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Operating lease charges

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

(h) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is measured as the difference between their carrying amounts and the present value of estimated future cash flows, discounted at their original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated cash flows such as significant financial difficulty of the debtor.

Impairment losses are reversed if in a subsequent period the amount of the impairment loss decreases.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets service concession arrangement; and
- non-current prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

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 cashgenerating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever 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 to reduce the carrying amount of the 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 an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)), 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 impairment losses for bad and doubtful debts (see note 1(h)).

(j) 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.

(k) Payables

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

(l) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 period 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 appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(n) Income tax

- (i) Income tax for the period 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 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.
- (ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.
- (iii) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

(iii) (continued)

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet 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.

- (iv) 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 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 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.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) 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 balance sheet date as a percentage of total estimated costs for each contract.

(ii) Interest income

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

(q) Translation of foreign currencies

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

Foreign currency transactions during the period 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 balance sheet date. Exchange gains and losses are recognised in profit or loss.

The results of foreign operation are translated into the presentation currency of the Group at the exchange rates approximating the foreign exchange rates ruling at the dates of the transaction. Balance sheet items are translated into the presentation currency of the Group at the foreign exchange rates ruling at the balance sheet 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) Related parties

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

- the party has the ability, directly or indirectly through one or more intermediaries, to control
 the Group or exercise significant influence over the Group in making financial and operating
 policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the 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 Group or of any entity that is a related party of the 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.

(t) Segment reporting

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

The Group operates in a single business segment, the construction, operation and management of an expressway in the PRC. Accordingly, no segmental analysis is presented.

2 TURNOVER

The principal activities of the Group are construction, operation and management of an expressway in the PRC. During the Relevant Period, the expressway was under construction and has not commenced its operation. Turnover during the Relevant Period represented revenue from construction work and project management services under the service concession arrangement.

3 OTHER REVENUE

				Six mont	ths ended	
	Years ended 31 December			30 June		
	2006	2007	2008	2008	2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000	
Interest income from bank deposits	6	46	98	35	39	
Other			28			
	6	46	126	35	39	

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Years ended 31 December			Six months ended 30 June		
		2006 HK\$'000	2007 HK\$'000	2008 <i>HK\$</i> '000	2008 HK\$'000 (unaudited)	2009 HK\$'000	
(a)	Staff costs:						
	Salaries, wages and						
	other benefits	118	61	126	41	1,636	
	Contributions to defined						
	contribution retirement plans	18	15	25	12	67	
	<u>-</u>	136	76	151	53	1,703	

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme ("the Scheme") organised by the local authority whereby the PRC subsidiary is required to make contributions to the Scheme at a fixed rate announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

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

4 LOSS BEFORE TAXATION (continued)

Loss before taxation is arrived at after charging: (continued)

		Years ended 31 December		Six months ended 30 June		
		2006 <i>HK\$</i> '000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
(b)	Other items:					
	Auditors' remuneration	4	4	9	9	11
	Consultancy fee	_	59	132	44	57
	Depreciation	5	32	146	33	196
	Operating lease charges in respect of rental of					
	office premises	72	130	358	163	480

5 INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Taxation in the combined income statements represents:

	Years ended 31 December			Six months ended 30 June	
	2006 <i>HK\$</i> '000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Deferred tax					
Origination of temporary differences (note 17) Effect on opening deferred tax balance	(271)	(237)	(831)	(372)	(487)
resulting from a change in tax rate		69			
	(271)	(168)	(831)	(372)	(487)

5 INCOME TAX IN THE COMBINED INCOME STATEMENTS (continued)

- (a) Taxation in the combined income statements represents: (continued)
 - (i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.
 - (ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.
 - (iii) Pursuant to the income tax rules and regulations of the PRC, Daoyue is liable to PRC income tax at a rate of 33% for the period from 22 December 2006 (date of establishment) to 31 December 2006 and the year ended 31 December 2007. 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 rate applicable to Daoyue reduces from 33% to 25% with effect from 1 January 2008. No provision has been made for PRC Income Tax as the Group did not have assessable profits subject to PRC Corporate Income Tax during the Relevant Period.
- (b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2006 <i>HK\$</i> '000	2007 HK\$'000	2008 <i>HK\$</i> '000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Loss before taxation	(791)	(834)	(3,221)	(1,453)	(3,097)
Notional tax on loss before taxation, calculated at					
the rates applicable	(265)	(293)	(815)	(363)	(676)
Tax effect on temporary					
differences not recognised	1	1	20	_	190
Tax effect on non-taxable income	e —	_	_	_	(1)
Effect on change in tax rate	_	145	_	_	_
Others	(7)	(21)	(36)	(9)	
Income tax benefit	(271)	(168)	(831)	(372)	(487)

6 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out below:

Year ended 31 December 2006

		Basic			
		salaries,			
		allowances	Contributions		
		and other	to retirement		
		benefits	benefit		
	Fees	in kind	scheme	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
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	_	_	_	_	_
Ms Mao Hui	_	_	_	_	_
Independent non-executive directors					
Mr Sun Xiao Nian	_	_	_	_	_
Mr Chu Kin Wang, Peleus	_	_	_	_	_
Mr Hu Lie Ge	_	_	_	_	_
Total	_	_	_	_	_

6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Year ended 31 December 2007

		Basic			
		salaries,			
		allowances	Contributions		
		and other	to retirement		
		benefits	benefit		
	Fees	in kind	scheme	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
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	_	_	_	_	_
Ms Mao Hui	_	_	_	_	_
Independent non-executive directors					
Mr Sun Xiao Nian	_	_	_	_	_
Mr Chu Kin Wang, Peleus	_	_	_	_	_
Mr Hu Lie Ge	_	_	_	_	_
Total	_	_	_	_	_

6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Year ended 31 December 2008

		Basic			
		salaries,			
		allowances	Contributions		
		and other	to retirement		
		benefits	benefit		
	Fees	in kind	scheme	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
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	_	_	_	_	_
Ms Mao Hui	_	18	_	_	18
Independent non-executive directors					
Mr Sun Xiao Nian	_	_	_	_	_
Mr Chu Kin Wang, Peleus	_	_	_	_	_
Mr Hu Lie Ge					
Total		18			18

6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Six months ended 30 June 2008 (unaudited)

		Basic			
		salaries,			
		allowances	Contributions		
		and other	to retirement		
		benefits	benefit		
	Fees	in kind	scheme	Bonuses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
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	_	_	_	_	_
Ms Mao Hui	_	7	_	_	7
Independent non-executive directors					
Mr Sun Xiao Nian	_	_	_	_	_
Mr Chu Kin Wang, Peleus	_	_	_	_	_
Mr Hu Lie Ge					
Total	_	7	_	_	7

6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Six months ended 30 June 2009

	Fees HK\$'000		Contributions to retirement benefit scheme	Bonuses HK\$'000	Total <i>HK\$</i> '000
Executive directors					
Mr Chan Yeung Nam	_	92	_	_	92
Mr Mai Qing Quan	_	80	_	_	80
Mr Chen Kai Shu	_	78	_	_	78
Mr Fu Jie Pin	_	63	_	_	63
Mr Chen Min Yong	_	29	_	_	29
Mr Zhang Bo Qing	_	29	_	_	29
Mr Yue Feng	_	_	_	_	_
Ms Mao Hui	_	54	_	_	54
Independent non-executive directors					
Mr Sun Xiao Nian	_	_	_	_	_
Mr Chu Kin Wang, Peleus	_	_	_	_	_
Mr Hu Lie Ge					
Total		425			425

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group 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.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments were directors of the Company during the years ended 31 December 2006, 2007 and 2008. One of the five individuals with the highest emoluments was the director of the Company during six months ended 30 June 2009 whose remuneration is disclosed in note 6 above. The remuneration in respect of the five highest paid individuals during the years ended 31 December 2006, 2007 and 2008 and the four highest paid individuals during the six months ended 30 June 2009 is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Salaries and other emoluments Contributions to retirement	28	21	60	29	847
benefit scheme	12	9	9	3	16
Discretionary bonuses					
	40	30	69	32	863

The emoluments of these individuals (pro-rated on a per annum basis for the six months ended 30 June) are within the following band:

		Number of individuals					
	Years	Years ended 31 December 30 June					
	2006	2007	2008	2008 (unaudited)	2009		
HK\$Nil to HK\$1,000,000	5	5	5	5	4		

8 DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation.

9 LOSS PER SHARE

The calculation of basic loss per share for the Relevant Period is based on the net loss attributable to the ordinary equity shareholders of the Company for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009 and 1 ordinary share of the Company issued on 21 April 2009 and 299,999,999 ordinary shares of the Company issued on 30 November 2009 as approved by the written resolutions of the sole shareholder of the Company passed on 30 November 2009 as if these shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted loss per share is equivalent to basic loss per share.

10 PROPERTY, PLANT AND EQUIPMENT

		Furniture	
	Motor	and	
	vehicles	fixtures	Total
	HK\$'000	HK\$'000	HK\$'000
Cost:			
At 1 January 2006	_	_	_
Additions		14	14
At 31 December 2006	_	14	14
At 1 January 2007	_	14	14
Additions	208	49	257
Exchange adjustments	8	4	12
At 31 December 2007	216	67	283
At 1 January 2008	216	67	283
Additions	1,660	181	1,841
Exchange adjustments	28	5	33
At 31 December 2008	1,904	253	2,157
At 1 January 2009	1,904	253	2,157
Additions	122	5	127
Exchange adjustments	5		5
At 30 June 2009	2,031	258	2,289

10 PROPERTY, PLANT AND EQUIPMENT (continued)

		Furniture	
	Motor	and	
	vehicles	fixtures	Total
	HK\$'000	HK\$'000	HK\$'000
Accumulated depreciation:			
At 1 January 2006	_	_	_
Charge for the year		5	5
At 31 December 2006	<u> </u>	5	5
At 1 January 2007	_	5	5
Charge for the year	25	7	32
Exchange adjustments	1	1	2
At 31 December 2007	26	13	39
At 1 January 2008	26	13	39
Charge for the year	115	31	146
Exchange adjustments	3	1	4
At 31 December 2008	144	45	189
At 1 January 2009	144	45	189
Charge for the period	173	23	196
Exchange adjustments	1		1
At 30 June 2009	318	68	386
Net book value:			
At 31 December 2006		9	9
At 31 December 2007	190	54	244
At 31 December 2008	1,760	208	1,968
At 30 June 2009	1,713	190	1,903

11 INTANGIBLE ASSET — SERVICE CONCESSION ARRANGEMENT

As at 31 December								
2006	2006	2006	2006	2006	2006	2007	2008	2009
HK\$'000	HK\$'000	HK\$'000	HK\$'000					
_	1,916	7,858	90,373					
1,874	5,573	81,279	135,083					
42	369	1,236	767					
1,916	7,858	90,373	226,223					
	2006 HK\$'000	2006 2007 HK\$'000 HK\$'000 — 1,916 1,874 5,573 42 369	2006 2007 2008 HK\$'000 HK\$'000 HK\$'000 — 1,916 7,858 1,874 5,573 81,279 42 369 1,236					

On 23 October 2004, Shenzhen Huayu Investment & Development (Group) Co. Ltd entered into a concession agreement "Initial Concession Agreement" with the Hunan Transportation Department, pursuant to which Shenzhen Huayu Investment & Development (Group) Co. Ltd was granted the exclusive right to construct, operate and manage the Hunan section of the Suizhou-Yueyang Expressway from Darenji town in Hunan Province to Kunshan, Yueyang city in Hunan Province ("Sui-Yue Expressway (Hunan Section)") and receive toll fees from vehicles using the Sui-Yue Expressway (Hunan Section) for an operating period ("Concession Period") of 25 years (excluding construction period).

The Initial Concession Agreement provides that Shenzhen Huayu Investment & Development (Group) Co. Ltd shall establish a project company and that such project company has the same right and obligations of Shenzhen Huayu Investment & Development (Group) Co. Ltd under the Initial Concession Agreement. Daoyue was established as the project company on 22 December 2006.

On 24 November 2009, the Initial Concession Agreement was terminated and replaced by the Concession Agreement entered into between Daoyue and the Hunan Transportation Department. Pursuant to the Concession Agreement, Daoyue was granted the exclusive right to construct, operate and manage the Sui-Yue Expressway (Hunan Section) and the Concession Period was extended to 27 years (excluding construction period).

This service concession arrangement does not contain a renewal option. At the end of the operating period all assets shall be transferred to the Hunan government authorities.

During the Relevant Period, the Group recorded revenue of approximately HK\$1,874,000, HK\$5,573,000, HK\$10,080,000 and HK\$23,988,000 for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 respectively, representing the fair value of the construction work and project management services provided, with the same amounts recognised as intangible assets – service concession arrangement.

In accordance with the accounting policy set out in note 1(f), the Group recognised land collection costs of HK\$71,199,000 and HK\$111,095,000 during the year ended 31 December 2008 and six months ended 30 June 2009 respectively as intangible assets – service concession arrangement.

In accordance with the accounting policy set out in note 1(f), no amortisation is recognised in profit or loss as Sui-Yue Expressway (Hunan Section) is not available for use during the Relevant Period.

12 PREPAYMENTS

As at 31 December 2008 and 30 June 2009, the Group had made prepayments of HK\$29,002,000 and HK\$45,208,000 to independent contractors for the construction of Sui-Yue Expressway (Hunan Section).

13 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advance to an independent party	_	5,361	_	_
Prepaid professional fees	_	_		3,596
Others	93	708	385	1,149
	93	6,069	385	4,745

All of the prepayments and other receivables are expected to be recovered within one year.

14 AMOUNT DUE FROM/(TO) A RELATED PARTY AND CONTROLLING SHAREHOLDER OF THE COMPANY

- (i) The amount due from a related company represented advance to a related company and settlement of advance to a related company received on behalf by another related company. The balances were unsecured, interest-free and recoverable on demand.
- (ii) The amounts due to a related company and controlling shareholder of the Company represented operating expenses paid by them on behalf of the Group. The balances were unsecured, interest-free and repayable on demand.
- (iii) The amounts due from/(to) related companies and controlling shareholder of the Company as at 30 June 2009 have been settled/recovered by way of a loan assignment prior to the listing of the Company's shares on the Stock Exchange.

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	A	As at 30 June		
	2006	2006 2007		2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	49,824	1,486	3,886	149,525
Cash and cash equivalents in the combined balance				
sheets and combined				
cash flow statements	49,824	1,486	3,886	149,525

As at 31 December 2006, 2007, 2008 and 30 June 2009, cash in hand and cash placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB50,006,000, RMB1,379,000, RMB3,419,000 and RMB129,854,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

15 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of loss before taxation to cash generated from/(used in) operating activities:

	Section C	Years	ended 31 Decem	ber	Six month 30 Ju	
	Note	2006	2007	2008	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Loss before taxation		(791)	(834)	(3,221)	(1,453)	(3,097)
Adjustments for:						
— Depreciation	<i>4(b)</i>	5	32	146	33	196
— Interest income	3	(6)	(46)	(98)	(35)	(39)
— Foreign exchange						
loss/(gain)		83	(481)	2,593	3,845	(287)
- Profit from construction	1					
work and project						
management services						
under service concess	ion					
arrangement		(41)	(123)	(222)	(34)	(528)
Changes in working capita	1:					
(Increase)/decrease in						
prepayments and						
other receivables		(93)	(5,976)	5,684	5,372	(4,360)
Increase/(decrease) in						
accruals and other						
payables		4	(1)	27,936	409	754
Increase/(decrease) in						
amount due to a						
related company		2,825	3,833	(6,658)	(6,658)	_
Increase in						
amounts due to						
controlling shareholder						
of the Company		13	7	329	13	6,640
Net cash generated from/						
(used in) operating acti	ivities	1,999	(3,589)	26,489	1,492	(721)

16 ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables as at 31 December 2008 and 30 June 2009 are contract guarantee deposits from independent contractors of HK\$27,895,000 and HK\$28,524,000 which are expected to be settled after more than one year. All of the remaining accruals and other payables are expected to be settled within one year.

17 INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Deferred tax assets recognised:

	Pre-operating expenses HK\$'000
Deferred tax arising from:	
At 1 January 2006	_
Credited to profit or loss (note 5(a)) Exchange adjustment	271
At 31 December 2006	277
At 1 January 2007	277
Effect on opening deferred tax balance resulting from a change in tax rate Credited to profit or loss (note 5(a)) Exchange adjustment	(69) 237 27
At 31 December 2007	472
At 1 January 2008	472
Credited to profit or loss (note 5(a)) Exchange adjustment	831
At 31 December 2008	1,341
At 1 January 2009	1,341
Credited to profit or loss (note 5(a)) Exchange adjustment	487
At 30 June 2009	1,833

17 INCOME TAX IN THE COMBINED BALANCE SHEETS (continued)

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$18,000, HK\$25,000, HK\$129,000 and HK\$1,276,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009 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. The tax losses do not expire under current tax legislation.

18 LONG-TERM BANK LOAN

The long-term secured bank loan is repayable as follows:

	A	As at 30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After 5 years	_	_	_	136,416
After 2 years but within 5 years	_	_	_	34,104
After 1 year but within 2 years	_	_	_	_
				170,520

The amounts of banking facilities available and the utilisation at each balance sheet date are set out as follows:

	A	As at 30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Facility amount available	_			1,079,960
Utilisation at the balance sheet date		_	_	170,520

The Group's rights to operate the Sui-Yue Expressway (Hunan Section) and receive toll fees therefrom, have been pledged to secure the bank loan.

The bank loan of the Group is subject to a financial covenant. According to the agreement, the Group is required to invest not less than 35% of the total investment in Sui-Yue Expressway (Hunan Section) and maintain cash on hand with 130% of annual loan and interest repayment and obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2013 to 2027. If the Group were to breach the covenant, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with this covenant. Further details of the Group's management of liquidity risk are set out in note 20(b).

In accordance with the accounting policy set out in note 1(r), the borrowing costs for the six months ended 30 June 2009 of HK\$895,000 have been capitalised into intangible asset — service concession arrangement at a rate of 5.346% per annum.

19 CAPITAL AND RESERVES

(a) Share capital

	A	As at 30 June		
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Authorised				
50,000 ordinary shares of US\$1 each				
as at 31 December 2006, 2007 and				
2008 and 38,000,000 ordinary shares				
of HK\$0.01 each as at 30 June 2009	390,000	390,000	390,000	380,000
Issued and fully paid				
1 ordinary share of US\$1 and				
HK\$0.01 each	7.80	7.80	7.80	0.01
•	7.80	7.80	7.80	0.01

The Company was incorporated on 21 April 2009 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 par value. On the same date, the Company issued 1 share at par value of HK\$0.01.

For the purpose of the Financial Information, the share capital in the combined balance sheets as at 31 December 2006, 2007 and 2008 represents the paid-in capital of Top Talent.

Share capital in the combined balance sheets as at 30 June 2009 represents the nominal value of the share capital of the Company.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

19 CAPITAL AND RESERVES (continued)

(b) Reserves

(i) Other reserve

Other reserve of the Group as at 31 December 2006, 2007 and 2008 represents the difference between the aggregate amount of paid-in capital of the companies now comprising the Group and the nominal value of the share capital of Top Talent, after elimination of investments in subsidiaries.

On 22 December 2006, Daoyue was established in the PRC with registered and fully paid capital of RMB50,000,000. The amount is recorded in "Other reserve" as if the current group structure had been in existence since 1 January 2006.

On 16 May 2008, Daoyue increased its registered and fully paid capital by RMB50,000,000. The amount is recorded in "Other reserve".

On 7 January 2009, Daoyue further increased its registered and fully paid capital by RMB100,000,000. The amount is recorded in "Other reserve".

Pursuant to written resolutions of the board of directors of Good Sign passed on 17 March 2009, Good Sign acquired 90% equity interest in Daoyue from Shenzhen Huayu Investment & Development (Group) Co. Ltd., a company under common control by the Controlling Shareholder for a cash consideration of RMB180,000,000. As a result of the acquisition, Daoyue became a subsidiary of Good Sign. Accordingly, elimination of Good Sign's investment in Daoyue and the paid up capital of Daoyue was reflected as a reduction in "Other reserve" for the six months ended 30 June 2009.

Other reserve of the Group as at 30 June 2009 represents the difference between the historical carrying value of the shares of Daoyue acquired and the acquisition consideration paid by Good Sign.

19 CAPITAL AND RESERVES (continued)

(b) Reserves (continued)

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of PRC operation. The reserve is dealt with in accordance with the accounting policy as set out in note 1(q).

(iii) Distributable reserve

The Company was incorporated on 21 April 2009 and has not carried out any operation since the date of its incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 30 June 2009.

(c) Capital management

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

The 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 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 Company and a related company). Equity comprises all components of equity.

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

19 CAPITAL AND RESERVES (continued)

(c) Capital management (continued)

The debt-to-equity ratio of the Group at 31 December 2006, 2007, 2008 and 30 June 2009 is as follows:

		A	s at 31 Deceml	oer	As at 30 June
	Note	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Current liabilities: Accruals and other payables Amount due to controlling shareholder of the	16	14	13	27,949	30,974
Company Amount due to a related	14	13	20	349	211,534
company	14	2,825	6,658		
		2,852	6,691	28,298	242,508
Non-current liabilities: Long-term bank loan	18				170,520
Total debt		2,852	6,691	28,298	413,028
Total equity		49,267	52,326	109,656	16,409
Debt-to-equity ratio		6%	13%	26%	2,517%

20 FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure to credit, liquidity, interest rate, business risks and the Group's objectives, policies and processes for measuring and managing these risks.

(a) Credit risk

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

(i) Prepayments and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor for expressway construction. Individual credit evaluations are performed on all contractors. These evaluations focus on the contractor's past history of construction work performance and current ability to fulfil the contract, and take into account information specific to the contractor as well as pertaining to the economic environment in which the contractor operates. The Group does not collect collateral in respect of prepayments and other receivables. Contract guarantee deposits of HK\$27,895,000 and HK\$28,524,000 recognised in accruals and other payables as at 31 December 2008 and 30 June 2009 were received from independent contractors. The Group also regularly monitors the construction progress.

20 FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Deposits with bank

The 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.

(b) Liquidity risk

Individual operating entities within the 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 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 balance sheet date of the 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 balance sheet date) and the earliest date the Group can be required to pay:

	As at 31 December								As at 3	30 June				
		2006			2007			2008			2009			
		Total	Within		Total	Within		Total	Within			Total	Within	
		contractual	1 year		contractual	1 year		contractual	1 year			contractual	1 year	
	Carrying	undiscounted	or on	Carrying	undiscounted	or on	Carrying	undiscounted	or on	More than	Carrying	undiscounted	or on	More than
	amount	cash outflow	demand	amount	cash outflow	demand	amount	cash outflow	demand	1 year	amount	cash outflow	demand	1 year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals and other payables Amount due to controlling	14	14	14	13	13	13	27,949	27,949	54	27,895	30,974	30,974	2,450	28,524
shareholder of the Company	13	13	13	20	20	20	349	349	349	_	211,534	211,534	211,534	-
Amount due to a related														
company	2,825	2,825	2,825	6,658	6,658	6,658	-	_	_	-	-	-	-	-
Long-term bank loan	-	-	_	_	-	_	-	_	-	-	170,520	232,018	_	232,018
	2,852	2,852	2,852	6,691	6,691	6,691	28,298	28,298	403	27,895	413,028	474,526	213,984	260,542
									_					

20 FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

(i) Interest rate profile

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

		As at 30 June						
	20	06	2007		2008		2009	
	Effective interest		Effective interest		Effective interest		Effective interest	
	rate	Amount HK\$'000	rate	Amount HK\$'000	rate	Amount HK\$'000	rate	Amount HK\$'000
Cash at bank Long-term bank loan	0.31%	49,824 —	0.18%	1,479	0.32%	3,793	0.14% 5.346%	149,473 (170,520)
		49,824		1,479		3,793		(21,047)

(ii) Sensitivity analysis

At 31 December 2006, 2007 and 2008, 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 Group's loss for the year and accumulated losses by approximately HK\$498,000, HK\$15,000 and HK\$38,000 respectively.

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the period and accumulated losses by approximately HK\$210,000.

The sensitivity above has been determined assuming that the change in interest rates had occurred at the balance sheet 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 period until the next annual balance sheet 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 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 Group's future revenue and operating results.

20 FINANCIAL INSTRUMENTS (continued)

(e) Foreign currency risk

Individual companies within the Group has 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 subsidiary, Daoyue, mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Group's financial position and be reflected in the exchange reserve.

(f) Fair values

As stated in note 14, the amounts due from/(to) related companies and controlling shareholder of the Company as at 31 December 2006, 2007, 2008 and 30 June 2009 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 2006, 2007, 2008 and 30 June 2009.

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.

21 COMMITMENTS

(a) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	A	As at 30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	_	247	779	716
After 1 year but within 5 years		209	546	230
		456	1,325	946

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 1 to 2.5 years with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

21 COMMITMENTS (continued)

(b) Capital commitments

Capital commitments outstanding at 31 December 2006, 2007, 2008 and 30 June 2009 not provided for in the Financial Information were as follows:

	A	As at 30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted for	588	21,222	636,005	766,215
Authorised but not contracted for	_	_	1,189,716	2,442,414

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

22 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in note 14, the 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 Group:

Name of party	Relationship
Mr. Chan Yeung Nam	Controlling Shareholder of the Company
Shenzhen Huayu Investment & Development (Group) Co. Ltd.* 深圳華昱投資開發(集團)股份有限公司	Under the control of Controlling Shareholder of the Company
Shenzhen Yong An Ran Engineering and Construction Co. Ltd.* 深圳市永安然工程建設有限公司	Under the control of Controlling Shareholder of the Company

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

The Controlling Shareholder of the Company holds 89.12% and 90.67% of equity interest in Shenzhen Huayu Investment & Development (Group) Co. Ltd. during 1 January 2006 to 2 November 2006 and 3 November 2006 to 30 June 2009 and 64.60% of the equity interest in Shenzhen Yong An Ran Engineering and Construction Co. Ltd during the Relevant Period respectively.

22 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Balances with related parties

As at the balance sheet date, the Group had the following balances with related parties:

				As at
	A	30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from a related company — Shenzhen Huayu Investment				
& Development (Group) Co. Ltd.	_	_	10,999	_
— Shenzhen Yong An Ran Engineering				
and Construction Co. Ltd.		42,888		
_	_	42,888	10,999	
Amount due to controlling shareholder of the Company — Mr Chan Yeung Nam	13	20	349	211,534
	A	As at 30 June		
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due to a related company — Shenzhen Huayu Investment				
& Development (Group) Co. Ltd.	2,825	6,658	_	_
=				

Balances with related parties represented short term advances made to/from related parties of the Group which are not expected to continue after the listing of the shares of the Company. The short terms advances are unsecured and interest free.

C NOTES TO THE FINANCIAL INFORMATION (continued)

22 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Maximum balances with related parties

The maximum balances with related parties during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 are as follows:

				Six months ended
	Year	s ended 31 Dec	ember	30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term advances from a related party	V			
— Shenzhen Huayu Investment &				
Development (Group) Co. Ltd.	2,825	6,658	56,511	344
Short term advances to related parties				
— Shenzhen Huayu Investment &				
Development (Group) Co. Ltd.		_	79,526	67,576
— Shenzhen Yong An Ran			17,320	07,370
Engineering and				
Construction Co. Ltd.	_	42,888	44,936	_
	_	42,888	124,462	67,576
Short term advances from controlling				
shareholder of the Company				
— Mr Chan Yeung Nam	13	20	349	211,534

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Years	ended 31 De		ths ended June	
	2006 HK\$'000	2007 HK\$'000	2008 <i>HK\$</i> '000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Short-term employee benefits Contributions to retirement	_	_	18	7	425
benefit schemes					
	_		18	7	425

Total remuneration is included in "staff costs" (see note 4(a)).

23 THE COMPANY'S BALANCE SHEET

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability with an authorised share capital of HK\$380,000, comprising 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued at par on 21 April 2009. No transactions were entered into by the Company since its incorporation up to 30 June 2009.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24 ULTIMATE CONTROLLING COMPANY

The directors consider the ultimate controlling company of the Company as at 30 June 2009 to be Velocity International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

25 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 Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

25 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 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.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account the estimated residual value. Intangible assets — service concession arrangement are amortised on a straight-line basis over the concession period. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation charge to be recorded during any reporting period. The useful lives are based on the industry practice on similar assets.

The depreciation expense and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

25 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 Company made estimates of the respective amounts by making reference to the management service fees derived from the Group's provision of project management services in relation to the Sui-Yue Expressway (Hunan Section) during the Relevant Period without taking into account the grant of the related toll road operating rights and entitlement to future toll revenues.

The directors of the Company have drawn an analogy of the construction of toll road under the service concession arrangement as if the 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, which are 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 the Group's project management services in relation to the Sui-Yue Expressway (Hunan Section) during the Relevant Period, whereby the fee is estimated by reference to the total estimated administrative and other expenses as a percentage on the total budgeted costs of the project. The directors of the Company estimated that the percentage of management fee ranged from 2% to 2.5% for the years ended 2006, 2007 and 2008 and six months ended 30 June 2009. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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

Up to the date of issue of this Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective in respect of the financial periods included in the Relevant Period, and which have not been adopted in this Financial Information.

Effective for accounting periods beginning on or after

HKFRS 3 (Revised), Business combinations 1 July 2009

Amendments to HKAS 27, Consolidated and separate financial statements 1 July 2009

Amendments to HKAS 39, Financial instruments:

Recognition and measurement — Eligible hedged items 1 July 2009

HK(IFRIC) 17, Distributions of non-cash assets to owners 1 July 2009

Improvements to HKFRSs 2009 1 July 2009 or

1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 Group's results of operations and financial position.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2009:

(a) Group Reorganisation

On 30 November 2009, the Company entered into a share transfer agreement (the "agreement") with Velocity. Pursuant to the agreement, Velocity will transfer 100% equity interest of Top Talent to the Company. The Company will issue and allot an additional 299,999,999 shares to Velocity in exchange to the 100% equity interest in Top Talent.

D SUBSEQUENT EVENTS (continued)

(a) Group Reorganisation (continued)

Upon the completion of the share transfer, Top Talent became a wholly-owned subsidiary of the Company and the Group Reorganisation (the "Reorganisation") has completed on 30 November 2009. The Company became the holding company of the subsidiaries now comprising the Group.

The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The ultimate controlling shareholder of the Company injected cash of HK\$211 million and HK\$5 million to Top Talent and Good Sign respectively. The cash injection of HK\$216 million in aggregate was completed on 7 December 2009.

On the same day, the ultimate controlling shareholder of the Company, Top Talent, Good Sign and Bright Regent entered into a deed of assignment with the Company, pursuant to which the ultimate controlling shareholder assigned the balances due from each of Top Talent, Good Sign and Bright Regent in the amounts of HK\$452,460,907, HK\$60,002,849 and HK\$924,237 respectively to the Company.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully, **KPMG**Certified Public Accountants

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to illustrate the effect of the Share Offer on the financial position of the Group after the completion of the Share Offer.

The unaudited pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group during the Relevant Period or any further date.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES

The following is an illustrative statement of unaudited pro forma net tangible liabilities of the Group is based on the audited combined net assets of our Group as at June 30, 2009, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below:

	Combined net tangible liabilities attributable to the equity shareholders of the Company as at June 30, 2009 (Note 1) HK\$'000	Add: Estimated net proceeds from the Share Offer (Note 2) HK\$`000	Unaudited pro forma adjusted net tangible liabilities <i>HK\$</i> '000	Unaudited pro forma adjusted net tangible liabilities per Share (Note 3) HK\$'000
Based on the Offer Price of 1.23 per Share (being the lowest) Based on the Offer Price of	(231,959)	103,255	(128,704)	HK\$(0.32)
1.35 per Share (being the highest)	(231,959)	114,955	(117,004)	HK\$(0.29)

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

(1) Calculation of the combined net tangible liabilities attributable to the equity shareholders of our Company as at June 30, 2009:

Audited combined net assets set out in Appendix I	16,409
Less: Minority interests	(22,145)
Net liabilities attributable to the equity shareholders	(5,736)
Less: Intangible assets – service concession arrangement	(226,223)
Combined net tangible liabilities attributable to the equity shareholders	(231,959)

HK\$'000

The combined net tangible liabilities attributable to the equity shareholders of our Company as at June 30, 2009 are based on our audited combined net assets as at June 30, 2009 extracted from the Accountants' Report set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of 1.23 and 1.35 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The calculation of the net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma net tangible liabilities per Share is arrived at after the adjustment for the estimated net proceeds from the Share Offer as described in Note 2 described above, and on the basis of 400,000,000 Shares in issue (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer).
- (4) Details of valuation of our Group's properties interest as at September 30, 2009 are set out in Appendix V to this prospectus. It is the accounting policy of our Group to state its interests in leasehold land held for own use under operating leases and property, plant and equipment at cost less accumulated depreciation/ amortisation and any impairment loss in accordance with the relevant HKASs, rather than at revalued amounts. The impairment reviews performed by the Company as at June 30, 2009 did not indicate the need to recognise any impairment loss for its interests in leasehold land held for own use under operating leases and property, plant and equipment.
- (5) The ultimate controlling shareholder of the Company injected cash of HK\$211 million and HK\$5 million to Top Talent and Good Sign respectively. The cash injection of HK\$216 million in aggregate was completed on December 7, 2009.

On the same day, the ultimate controlling shareholder of the Company, Top Talent, Good Sign and Bright Regent entered into a deed of assignment with the Company, pursuant to which the ultimate controlling shareholder assigned the balances due from each of Top Talent, Good Sign and Bright Regent in the amounts of HK\$452,460,907, HK\$60,002,849 and HK\$924,237 respectively to the Company.

However, the unaudited pro forma net tangible liabilities per Share has not taken into account the above-mentioned cash injection and the assignment of the balances due from the ultimate controlling shareholder.

(B) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus:



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

11 December 2009

The Directors Huayu Expressway Group Limited

Dear Sirs

Huayu Expressway Group Limited ("the Company")

We report on the unaudited pro forma financial information ("the unaudited Pro Forma Financial Information") of the Company and its subsidiaries ("the Group") set out in Part A of Appendix II of the prospectus dated 11 December 2009 ("the Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the share offer might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Part A of Appendix II of the Prospectus.

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 ("HKSIR") 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 made 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 30 June 2009 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

(A) BUSINESS VALUATION REPORT

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from Jones Lang LaSalle Sallmanns Limited, an independent business valuer, in connection with its valuation as at October 31, 2009 of the fair value of 100% equity interest in Daoyue.



Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong tel +852 2169 6000 fax +852 2169 6001 Licence No: C-030171

December 11, 2009

The Board of 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.

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 value of 100% equity interest in Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue") as at October 31, 2009 (the "Valuation Date"). The principal operation of Daoyue is to manage the section of the Suizhou – Yueyang Expressway ("Sui-Yue Expressway") within Hunan province ("Sui-Yue Expressway (Hunan Section)" or "Hunan Section"), in the PRC.

The purpose of this valuation is to express an independent opinion of the fair value of 100% equity interest in Daoyue as at October 31, 2009, which does not include the fair value of the loan portion of the total investment of Daoyue. Terms used in this report shall have the meanings defined in the prospectus dated December 11, 2009 of the Company.

Introduction

Daoyue was principally engaged in the construction and operation of Sui-Yue Expressway (Hunan Section). The length of the Sui-Yue Expressway (Hunan Section) will be 24.08km running from the southern side of the Jing-Yue Yangtze River Highway Bridge (荊岳長江公路大橋) in Daorenji town, which is under construction, to Kunshan (昆山) in Yueyang city in Hunan province. There will be four toll plazas for the Sui-Yue Expressway (Hunan Section), namely Daorenji Main Line Toll Plaza (道仁磯主綫收費站), Daorenji Toll Gate (道仁磯匝道收費站), Yunxi Toll Gate (雲溪匝道收費站) and Kunshan Toll Gate (昆山匝道收費站). The Sui-Yue Expressway (Hunan Section) is a full access-controlled expressway, with dual-3 lanes and a maximum design speed of 120km per hour. The construction work is currently underway and is planned to be completed by late-2011.

The details of Sui-Yue Expressway (Hunan Section) are as follows:

Expressway	Mileage	Capital Investment	Bank Loan	Total Estimated Investment	Concession period
The section from Suizhou to Yueyang Expressway within Hunan province	24.08 km	RMB 601 million	RMB 1.10 billion	RMB 1.717 billion	27 years

Note: The total estimated investment of RMB1.717 billion is financed by a bank loan of RMB1.10 billion and capital investment of RMB 601 million. The valuation of 100% equity interest in Daoyue relates to the capital investment of Daoyue only. The Company group currently holds 90% interest in Daoyue.

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 the underlying expressway is still under 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 value of Daoyue is 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 Daoyue and the comparable expressway near Sui-Yue Expressway (Hunan Section) which is under construction. Discussions with the management of Daoyue and the Company in relation to the history and nature of business, and review of Daoyue's historical and projected financial information and other relevant documents were also conducted. We have also discussed with Parsons Brinckerhoff (Asia) Limited ("PBA"), the Daoyue'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. The forecast traffic volume and toll charges prepared by PBA are used to estimate the revenue stream of the Sui-Yue Expressway (Hunan Section). The base approach, which is derived by taking the averages of the "Optimistic" and "Conservative" scenarios prepared by PBA, has been incorporated to arrive at the toll revenues stream for the subject toll road.

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 Daoyue and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the toll road. 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 Sui-Yue Expressway (Hunan Section) will be completed as planned;
- The nature of business and history of the operation concerned;
- The financial condition of Daoyue;
- Projected development costs to expand and development time schedules;
- 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 asset;
- Analysis on tactical planning, management standard and synergy of the subject asset;
 and
- Assessment of the leverage and liquidity of the subject asset.

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 Daoyue.

Valuation assumptions

In determining the value of 100% equity interest in Daoyue, 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 Daoyue 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 Daoyue;
- 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 Daoyue and the Company and relied to a considerable extent on such information
 in arriving at our opinion of value;

- We have assumed the capital structure of Daoyue will not change;
- Based on the feasibility report of the Sui-Yue Expressway (Hunan Section) and the management's opinion, the operating and management expenses mainly include staff and welfare costs, water and electricity costs and other operating expenses. The total operating and management expenses will be RMB7,250,000 for the first year and 3% of growth rate is assumed for the remaining years, which is determined after considering the long term inflation rate in China. The total operating and management expenses of RMB7,250,000 are estimated with reference to the operating expenses of Huayu Investment's existing operating toll road projects.
- 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 Sui-Yue Expressway (Hunan Section) will conform to the level as projected by PBA in the average of conservative and optimistic scenarios; Parsons also prepared a projection for the traffic flow and revenue with respect to the subject toll road covering the respective concession period. 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 Parsons are reasonable and, therefore, we have adopted their findings in developing the Optimistic and Conservative scenarios for Daoyue.
- Sui-Yue Expressway (Hunan Section) under construction would be completed on schedule to the satisfaction of both the design engineer and Daoyue, and that all relevant standards and requirements of the government authorities will be met.

In determining the discount rate for the operation adopted in the valuation, 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. These risk factors have been considered in determining the appropriate discount rate for the valuation.

When evaluating the appropriate discount rate for Daoyue, we have used the Capital Assets Pricing Model (the "CAPM"). 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 rate of return of Daoyue is 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.

In determining the discount rates for Daoyue, the following parameters have been used:

Parameters for CAPM

Risk free rate	3.52%	Yield of 10-year Hong Kong exchange fund bonds
Market return	8.76%	10-year Hang Seng Index Returns
Relevered Beta	0.777	Based on the beta of comparable companies
Country risk premium	0.6%	Spread for country rating over default free
		government bond rates
Company specific risk	1%	Risk for construction status
CAPM	9.2%	

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 October 31, 2009:

Certain Hong Kong listed companies in expressway business	5 year weekly beta
Sichuan Expressway Co., Ltd.	0.81
Jiangsu Expressway Co., Ltd.	0.89
Shenzhen Expressway Co., Ltd.	0.94
Zhejiang Expressway Co., Ltd.	0.91
Anhui Expressway Co., Ltd.	0.83
Hopewell Highway Infrastructure Ltd.	0.63
GZI Transport Ltd.	0.59

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 November 5, 2004 to October 31, 2009.

The Sui-Yue Expressway (Hunan Section) is in its construction stage and is planned to be completed by the end of 2011. Given the current progress of the project (including the fact that preparation stage construction work of the Sui-Yue Expressway (Hunan Section) has been commenced for more than 6 months and all the relevant approvals for construction work have been obtained), the completion risk is not considered high. In light of the expected future traffic flow and stable income stream of Sui-Yui Expressway (Hunan Section), 1% additional risk premium is considered appropriate to reflect the current construction status of the Sui-Yui Expressway (Hunan Section). This represents some 10% of the overall discount rate of 9.6% and is considered adequate for the purpose. Any extra premium is not considered necessary given the not very high completion risk of the Sui-Yue Expressway (Hunan Section).

On top of the discount rate of 9.2% above, a premium for lack of marketability of 0.4% is also applied in the calculation to capture the lower liquidity of the equity of the Daoyue due to its private company nature. Accordingly, the total discount rate adopted is 9.6%.

Three sensitivity analyses were prepared to project the results based on the changes of discount rate, toll rate and the future forecast scenario. The following table summarizes the resulting values of 100% equity interest in Daoyue:

Discount Rate Sensitivity

Discount Rate	Results
(Include marketability discount)	(RMB million)
8.6%	1,237
9.6% *	1,050
10.6%	899

Toll Rate Sensitivity

Toll Rates' Growth Rate	Results		
	(RMB million)		
10%	918		
15% *	1,050		

Operating and Management Expenses Sensitivity

Operating and

Management Expenses	Results
Growth Rate	(RMB million)
3% *	1,050
10%	991

Scenario Sensitivity

Scenario	Results		
	(RMB million)		
Optimistic	1,244		
Conservative	856		
Average *	1,050		

^{*} Such rates or scenario are adopted for the valuation in this report.

Limiting conditions

The conclusion of value is based on generally 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, as the assumptions and other relevant factors are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Daoyue, the Company and Jones Lang LaSalle Sallmanns Limited.

We do not intend to express any opinion on matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Daoyue over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

We have not undertaken structural or civil engineering surveys and are not therefore able to confirm Sui-Yue Expressway (Hunan Section) is free from structural defects and would not assume any adverse impact from such matters.

Based on the results of our investigations and analyses, it is our opinion that the fair value of 100% equity interest in Daoyue as at October 31, 2009 is reasonably stated at the amount of **RMB1,050 million (RENMINBI ONE THOUSAND AND FIFTY MILLION)**.

Yours faithfully,
For and on behalf of

Jones Lang LaSalle Sallmanns Limited
Simon M.K. Chan

CPA

Director

Note: Simon M.K. Chan is a CPA member of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia, 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 a report issued by our reporting accountants, KPMG, Certified Public Accountants, Hong Kong, regarding the discounted future estimated cash flows in connection with the business valuation conducted by Jones Lang LaSalle Sallmanns Limited on the 100% equity interest in Daoyue, prepared for the purpose of incorporation in this prospectus:—



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

11 December 2009

To the Directors of Huayu Expressway Group Limited Mizuho Securities Asia Limited

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 11 December 2009, prepared by Jones Lang LaSalle Sallmanns Limited ("Jones Lang") in respect of the appraisal of the market value of 100% equity interest in Daoyue, is based. The Valuation is set out in Part A of Appendix III of the prospectus of Huayu Expressway Group Limited (the "Company") dated 11 December 2009 (the "Prospectus") in connection with the listing on the Main Board of The Stock Exchange of Hong Kong Limited by way of placing and public offer by the Company. The Valuation which is determined based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 11.17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company and Jones Lang are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and Jones Lang and as set out on page III-4 to III-6 of the Prospectus. 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 11.17 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 page III-4 to III-6 of the Prospectus. 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 100% equity interest in Daoyue, 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 11.17 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 and Jones Lang as set on page III-4 to III-6 of the Prospectus.

Yours faithfully, **KPMG**Certified Public Accountants

Hong Kong

(C) LETTER FROM THE SPONSOR

The following is a letter issued by Mizuho Securities Asia Limited, our Sponsor, regarding the business valuation conducted by Jones Lang LaSalle Sallmanns Limited on the 100% equity interest in Daoyue, prepared for the purpose of incorporation in this prospectus:—

December 11, 2009

The Directors
Huayu Expressway Group Limited
Unit No. 1802, on 18th Floor of West Tower
Shun Tak Centre
Nos. 168-200
Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the report issued by Jones Lang LaSalle Sallmanns Limited ("Jones Lang"), an independent business valuer engaged by Huayu Expressway Group Limited (the "Company"), in connection with the valuation of the fair value of 100% equity interest in Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue") as at October 31, 2009 (the "Business Valuation").

We understand that Jones Lang has conducted the Business Valuation based on a number of underlying bases and assumptions which are subject to its professional judgement. We note that KPMG has issued a letter regarding the arithmetical calculations underlying the Business Valuation, a copy of which is set out on page III-9 to page III-10 of this prospectus.

We have made enquiries and discussed with Jones Lang and the directors of the Company in respect of the underlying bases and assumptions upon which the Business Valuation was based. We are of the opinion that the fair value of Daoyue as appraised by Jones Lang under the Business Valuation has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
MIZUHO SECURITIES ASIA LIMITED
Kelvin S. K. Lau

Managing Director
Capital Markets & Corporate Finance

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from Parsons Brinckerhoff (Asia) Limited, the Company's traffic consultant, in connection with the "traffic and revenue study for the Sui-Yue Expressway (Hunan Section).



Parsons Brinckerhoff (Asia) Ltd. 7/F One Kowloon 1 Wang Yuen Street Kowloon Bay, Hong Kong Tel: (852) 2579 8899 Fax: (852) 2856 9902 Email: info.hk@pbworld.com

December 11, 2009

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 SUI-YUE EXPRESSWAY (HUNAN SECTION) 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 revenue study (the "Study") for the Hunan section of Suizhou-Yueyang Expressway in the People's Republic of China (hereinafter referred to as the "Sui-Yue Expressway (Hunan Section)" or the "Project"). 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. This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue of Sui-Yue Expressway (Hunan Section) 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 Suizhou-Yueyang Expressway (Hunan Section), China". A brief summary of our study approaches and findings are presented below:

1 INTRODUCTION

Suizhou-Yueyang Expressway (隨州至岳陽高速公路) is a 361 km expressway running from Suizhou (隨州) in Hubei Province to Yueyang (岳陽) in Hunan Province in the People's Republic of China, comprising the Hubei section in Hubei Province, the Jing-Yue River Highway Bridge (荊岳長江公路大橋) and the Hunan section in Hunan Province. The north and middle sections within Hubei Province are already in use. The Project is the section of Suizhou-Yueyang Expressway located within Hunan Province; it starts at the Jing-Yue Yangtze River Highway Bridge which is under construction, intersects with National Highway 107 in Yunxi District (雲溪區), and passes through the Yueyang Economic Development Zone (岳陽經濟開發區), then ends at the Kunshan (昆山) interchange which connects the Yueyang line (岳陽聯絡線). The total length of the Project is 24.08km; there are four toll stations, namely Daorenji main line (道仁磯主綫), Daorenji toll gate (道仁磯匝道), Yunxi toll gate (云溪匝道) and Kunshan toll gate (昆山匝道). The Project is a full access-controlled expressway, with dual-3 lanes and a maximum design speed of 120km per hour. Construction work on this Project is currently underway, and the Project is planned to be completed in late 2011.

Description and key technical elements of the subject toll road have been summarized in Table 1.1.

Table 1.1 General Description and Summary of Key Technical Elements

Origin Daorenji
Destination Kunshan
Highway Classification Expressway
Access Control Control Access

Configuration 6 lanes
Design Speed 120 km/hr
Length 24.08 km

No. of Toll Stations Four: Daorenji Main line, Daorenji toll gate,

Yunxi toll gate and Kunshan toll gate.

Daily Cross Sectional Capacity 110,000 vehicles per day (vpd)

2 OBJECTIVE AND SERVICE SCOPE

The objective of the study is to forecast the future travel demand and revenue potential of Sui-Yue Expressway (Hunan Section).

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 other roads in the study corridor,
- 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, 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

By synthesizing the information and findings from the 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 KEYASSUMPTIONS

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 Yueyang, Changsha, Zhuzhou (株洲), Xiangtan (湘潭), Hunan, Hubei as well as China as a whole have been referenced for future forecasts.
- The base year traffic of Sui-Yue Expressway (Hunan Section) is assumed to be comprised of traffic diverted from existing expressways and roads within the same general corridor, including the Jing-Gang-Ao Expressway, Jingdong Expressway, the vehicular ferry at Daorenji (道仁磯), and the Dongtinghu Bridge (洞庭湖大橋).
- Future expressways that will have an impact on the traffic volumes of Sui-Yue Expressway (Hunan Section) are:
 - Sui-Yue Expressway (Hubei Section) the Hubei section of Suizhou-Yueyang Expressway is already complete and operational between Suizhou and Qianjiang (潛江), the remaining segment between Qianjiang and the Yangtze River, including the Jing-Yue Yangtze River Highway Bridge, is under construction and scheduled to open in October 2010 prior to the opening of Sui-Yue Expressway (Hunan Section).
 - Yueyang-Changsha-Hengyang Expressway (岳長高速公路) this expressway parallels the Jing-Gang-Ao Expressway and connects directly into Sui-Yue Expressway.
 - Hangzhou-Ruili State Expressway (杭州至瑞麗國家高速公路, a.k.a. Hangrui Expressway) this expressway is one of the national trunk expressways that connects Hangzhou of Zhejiang province with Ruili of Yunnan province.

5 SUMMARY OF TRAFFIC PROJECTIONS

The traffic forecast for Sui-Yue Expressway (Hunan Section) is carried out for the period of 2012 to 2038. Projected daily traffic on Sui-Yue Expressway (Hunan Section) is summarized in Table 5.1 and 5.2 under the Optimistic and Conservative scenarios respectively.

Table 5.1 Average Daily Traffic — Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
2012	4313	2064	2292	2082	1528	614	12892
2013	4721	2241	2544	2314	1704	676	14202
2014	5174	2454	2793	2542	1873	742	15578
2015	5670	2688	3066	2792	2060	814	17089
2020	8206	3880	4469	4079	3019	1183	24836
2025	10881	5137	5951	5440	4034	1572	33016
2030	14439	6806	7928	7258	5392	2091	43915
2035	17498	8242	9625	8817	6556	2537	53275
2036	18183	8564	10006	9167	6818	2637	55375
2037	18896	8898	10402	9531	7089	2741	57558
2038	19637	9246	10814	9909	7372	2849	59827

Table 5.2 Average Daily Traffic — Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
2012	4042	1935	2144	1947	1428	575	12071
2013	4361	2071	2346	2133	1570	624	13105
2014	4674	2219	2518	2291	1687	669	14058
2015	5010	2377	2703	2460	1812	718	15081
2020	6633	3141	3596	3278	2421	954	20024
2025	8203	3880	4464	4073	3014	1182	24815
2030	10150	4795	5541	5063	3751	1465	30764
2035	12000	5664	6565	6003	4452	1734	36419
2036	12409	5856	6792	6211	4607	1794	37669
2037	12832	6055	7026	6426	4768	1855	38963
2038	13270	6261	7269	6649	4934	1919	40301

Class 1 Passenger Vehicle less than or equal to 7 seats/Goods Vehicle less than or equal to 2 tons

Class 2 Passenger Vehicle 8-19 seats/Goods Vehicle 2-5 tons

Class 3 Passenger Vehicle 20-39 seats/Goods Vehicle 5-10 tons

Class 4 Passenger Vehicle > 40 seats/Goods Vehicle 10-15 tons & 20 ft container truck

Class 5 Goods Vehicle > 15 tons & 40 ft container truck

Non-Toll Toll-exempted vehicles

6 TOLL RATE

The assumed toll rates of the Sui-Yue Expressway (Hunan Section) are based on current toll rates of expressways in Hunan province. A toll rate increase of 15% every 5 years is assumed in this study beginning in year 2017, an average increase of 2.8% each year which is much lower than the average inflation rate of over 5% in the PRC for the past 20 years. Assumed toll rate by vehicle classification is presented below:

				Year			
		2012	2017	2022	2027	2032	2037
				RMB/K	m		
Class 1	Passenger Vehicle less than or						
	equal to 7 seats	0.5	0.6	0.7	0.8	0.9	1.0
	Goods Vehicle less than or						
	equal to 2 tons	0.3	0.3	0.4	0.5	0.5	0.6
~. ·							
Class 2	Passenger Vehicle 8-19 seats	0.9	1.0	1.2	1.4	1.6	1.8
	Goods Vehicle 2-5 tons	0.5	0.6	0.7	0.8	0.9	1.0
Class 3	Passenger Vehicle 20-39 seats	1.3	1.5	1.7	2.0	2.3	2.6
Class 5	Goods Vehicle 5-10 tons	1.0	1.2	1.3	1.5	1.7	2.0
	Goods venicle 3-10 tons	1.0	1.2	1.3	1.3	1./	2.0
Class 4	Passenger Vehicle > 40 seats	1.6	1.8	2.1	2.4	2.8	3.2
	Goods Vehicle 10-15 tons & 20 ft						
	container truck	1.6	1.8	2.1	2.4	2.8	3.2
Class 5	Goods Vehicle > 15 tons &						
	40 ft container truck	2.6	3.0	3.4	4.0	4.5	5.2

7 SUMMARY OF FUTURE TOLL REVENUE ESTIMATIONS

The future daily toll revenue is calculated by applying the aforementioned 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 Sui-Yue Expressway (Hunan Section) are presented in Table 7.1 under two scenarios.

Table 7.1 Annual Revenue (in million RMB)

Year	Optimistic	Conservative
2012	118.98	111.31
2013	127.70	117.76
2014	140.17	126.39
2015	153.88	135.67
2020	257.93	207.58
2025	395.01	296.27
2030	605.21	422.98
2035	844.99	576.33
2036	878.43	596.22
2037	1050.17	709.33
2038	1091.74	733.81

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

Annie Lai is a member of the Chartered Institute of Logistics and Transport in Hong Kong, Institute of Highway & Transportation and Institute of Transportation Engineers. She has over 15 years experience in development of travel demand model including regional demand models and corridor analysis, toll road feasibility studies.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at September 30, 2009 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong tel +852 2169 6000 fax +852 2169 6001 Licence No: C-030171

December 11, 2009

The Board of 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,

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 September 30, 2009 (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 in Group I and II, 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, 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; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

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 Registries. 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 State-owned Land Use Rights Certificates, Building Ownership Certificates, and official plans 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 – Global Law Office 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.

All monetary figures stated in this report are in Hong Kong Dollars (HKD).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully, for and on behalf of Jones Lang LaSalle Sallmanns Limited Paul L. Brown B.Sc. FRICS FHKIS Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests rented and occupied by the Group in the PRC

Capital value attributable to the Group as at September 30, 2009

No. Property September 30, 2009

HKD

1 East Level 3 No commercial value

MO Building

High-tech Development Zone

Huoju City Changsha City Hunan Province The PRC

2. Flat A, on Level 17, Block 1 No commercial value

Prince Palace Garden North Station Road Changsha City Hunan Province The PRC

3. Unit 6, on Level 4 and No commercial value

Levels 5 - 6

Government Service Center

Yunxi District Yueyang City Hunan Province The PRC

Sub-total: Nil

Group II - Property interests rented and occupied by the Group in Hong Kong

Capital value
attributable
to the Group
as at
September 30, 2009
HKD

No commercial value

No. Property

4. Unit No. 1802 on 18th Floor of

West Tower Shun Tak Centre Nos. 168-200

Connaught Road Central

Hong Kong

Sub-total:	Nil
—— Total:	Nil

Group I – Property interests rented and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2009 HKD
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 June 29, 2009 and expiring on June 28, 2010 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

- 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;
 - b. The Tenancy Agreement has not been registered with the relevant government authority, but the validity of agreement will not affected;
 - c. As confirmed by the Group, the leased property has been used for its prescribed uses and the lessor is an independent third party from the Group; and
 - d. As confirmed by the lessor to the Group, the property is not subject to any mortgage.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2009 HKD
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 February 1, 2009 and expiring on January 31, 2010 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

- 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 the rights to use the property according to the prescribed use as stated in the Tenancy Agreement;
 - b. The Tenancy Agreement has not been registered with the relevant government authority, but the validity of the agreement will not be affected;
 - c. As confirmed by the Group, the leased property has been used for its prescribed uses and lessor is an independent third party from the Group; and
 - d. The property is subject to Mortgages and the validity of the Tenancy Agreement will not be affected and neither the lessor nor the lessee is required to obtain Mortgagee's consent.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2009 HKD
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 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

- 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 the rights to use the property according to the prescribed use as stated in the Tenancy Agreement;
 - b. The Tenancy Agreement has not been registered with the relevant government authority, but the validity of the agreement will not affected;
 - c. As confirmed by the Group, the leased property has been used for its prescribed uses and lessor is an independent third party from the Group; and
 - d. As confirmed by the lessor to the Group, the property is not subject to any mortgage.

Group II - Property interest rented and occupied by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2009
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 Bright Regent 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, 2008 and expiring on October 29, 2010 at a monthly rental of HKD50,155 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

- 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.

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April, 2009 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on November 30, 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) the Memorandum and Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries.

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries:
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who wish to retire or those who have been longest in office since their last re-election or appointment, but as between persons who became or were last re-elected Directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages under any agreement between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law, after the conditions of the Memorandum to:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all member entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)).

Where our Company has any knowledge that any member is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead, provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(i) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand

or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The board may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares, and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock

Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association

in (a) paying distributions or dividends to members; (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of our Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our Company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our Company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of our Company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of our Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our Company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring our Company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our Company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our Company by other shareholders or by our Company itself and, in the case of a purchase by our Company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 5 May, 2009.

The Cayman Islands currently does not levy any taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the sections headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on April 21, 2009. Our Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on August 20, 2009 and our Company's principal place of business in Hong Kong is at Room 1802, 18/F, West Tower, Shun Tak Centre, Sheung Wan, Hong Kong. Mr. Sin Ka Man of Flat A, 9/F, Kingston Heights, Belair Gardens, Shatin, New Territories, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and an articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix VI to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of its incorporation:

- (a) On April 21, 2009, one Share of HK\$0.01 of our Company was allotted and issued credited as fully paid to Codan Trust Company (Cayman) Limited.
- (b) On April 21, 2009, VIL acquired from Codan Trust Company (Cayman) Limited one Share of HK\$0.01 of our Company at its par value.
- (c) On November 30, 2009, as consideration for the acquisition from VIL of one share of US\$1.00 in Top Talent, being its entire issued share capital, 299,999,999 Shares of HK\$0.01 of our Company were allotted and issued credited as fully paid to VIL. After such allotment and issue, VIL held 300,000,000 Shares (which constituted the then entire issued share capital of our Company) in our Company.

Immediately following completion of the Share Offer and assuming that the Overallotment Option is not exercised, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 400,000,000 Shares will be issued credited as fully paid, and 9,600,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the section headed "Statutory and General Information — A. Further Information about our Company — 4. Written resolutions of the sole Shareholder of our Company passed on November 30, 2009" in this Appendix, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Top Talent

- (a) on February 24, 2009, VIL acquired from Long Glory Group Limited one share of US\$1.00 in Top Talent, a direct wholly-owned subsidiary of our Company, for a consideration of HK\$8.00; and
- (b) on November 30, 2009, VIL transferred one share of US\$1.00 in Top Talent to our Company in consideration of our Company issuing 299,999,999 Shares to VIL.

Bright Regent

(a) on May 29, 2009, Top Talent acquired from Fameluxe Investment Limited one share of HK\$1.00 in Bright Regent, an indirect wholly-owned subsidiary of our Company, which was held by Fameluxe Investment Limited in favour of Top Talent pursuant to a declaration of trust dated May 4, 2006, for nil consideration.

Good Sign

- (a) Good Sign, an indirect wholly-owned subsidiary of our Company, was incorporated as a limited liability company in Hong Kong on December 19, 2008, one share of HK\$1.00 in Good Sign was allotted and issued credited as fully paid to Ready-Made Incorporations Limited for a consideration of HK\$1.00 upon incorporation;
- (b) on January 29, 2009, Ms. Liang Yun acquired from Ready-Made Incorporations Limited one share of HK\$1.00 in Good Sign for a consideration of HK\$1.00; and
- (c) on February 26, 2009, Top Talent acquired from Ms. Liang Yun one share of HK\$1.00 in Good Sign for a consideration of HK\$1.00.

Daoyue

- on May 22, 2008, Daoyue, an indirect 90% non-wholly owned subsidiary of our Company, increased its registered capital from RMB50 million to RMB100 million;
- (b) on January 9, 2009, Daoyue increased its registered capital from RMB100 million to RMB200 million;
- (c) on March 17, 2009, Good Sign acquired from Huayu Investment 90% interest in Daoyue for a consideration of RMB180 million; and
- (d) on July 6, 2009, Daoyue increased its registered capital from RMB200 million to RMB600.95 million.

Save as set out above and in the section headed "Statutory and General Information — B. Corporate Reorganisation" in this Appendix, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our sole Shareholder passed on November 30, 2009

Pursuant to the written resolutions of our sole Shareholder entitled to vote at general meetings of our Company, which were passed on November 30, 2009, among other matters:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation 9,962,000,000 Shares of HK\$0.01 each ranking *pari passu* in all respects with the Shares in issue as at the date of passing of the written resolutions;
- (b) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Bookrunner (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Shares pursuant to the Share Offer and Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and the relevant Application Forms;
 - (ii) the rules of the Share Option Scheme were approved and adopted, and the Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

a general unconditional mandate was given to our Directors to exercise all the (c) powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue (as defined below), or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Company and/or any of its subsidiaries or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors 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, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option;

- (e) conditional on the passing of each of the general mandates referred to in paragraphs (c) and (d) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Share Offer but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option was approved; and
- (f) the Articles were approved and adopted with effect from the conclusion of the meeting of our Directors held on November 30, 2009.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held; or
- (3) the passing of an ordinary resolution of our Shareholders in general meeting of our Company varying or revoking the authority given to the Directors.

5. Repurchase by our Company of our Securities

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(1) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of Shares) must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Pursuant to the written resolutions passed on November 30, 2009 by our sole Shareholder, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Share Offer, details of which have been described above in the section headed "Statutory and General Information — A. Further Information about our Company — 4. Written resolutions of our sole Shareholder passed on November 30, 2009" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be funded out of funds legally available for such purposes in accordance with our Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. Our Company may not repurchase our own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully paid up.

(2) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority to enable our Company to repurchase its own securities in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of our Company and/or its earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(3) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purposes in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the financial position as disclosed in this prospectus and taking into account the working capital position of our Company, our Directors believe that, if the Repurchase Mandate is exercised in full, there may be a material adverse impact on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company.

(4) General

To the best knowledge of our Directors having made all reasonable enquiries, none of our Directors nor their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to us if the Repurchase Mandate is exercised.

Our Directors individually and collectively have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the regulations set out in the Articles.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder or a group of Shareholders acting in concert, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No repurchases of Shares have been made by the Company since its incorporation.

No connected person (as defined in the Listing Rules) has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

The reorganisation which was effected in preparation for the listing, whereby our Company became the holding company of our Group, included the following major steps:

- (a) On February 18, 2009, Huayu Investment and Good Sign entered into an equity transfer agreement pursuant to which Huayu Investment agreed to transfer 90% equity interest in Daoyue to Good Sign for a total consideration of RMB 180 million. Upon completion of the said equity transfer agreement, Daoyue was held as to 90% by Good Sign and 10% by Huayu Investment.
- (b) On April 21, 2009, our Company was incorporated as an exempted company in the Cayman Islands to act as the ultimate holding company for the subsidiaries in our Group. At the time of its incorporation, our Company has an issued share capital of HK\$0.01 with one share of HK\$0.01, and was held by Codan Trust Company (Cayman) Limited. On April 21, 2009, the one Share in our Company was transferred to VIL.
- (c) On May 29, 2009, Top Talent acquired from Fameluxe Investment Limited one share of HK\$1.00 in Bright Regent, which was held by Fameluxe Investment Limited in favour of Top Talent pursuant to a declaration of trust dated May 4, 2006, at nil consideration.
- (d) On November 30, 2009, VIL and our Company entered into a share transfer agreement pursuant to which VIL agreed to transfer the entire issued capital of Top Talent to our Company in consideration of our Company agreeing to issue 299,999,999 Shares to VIL. Upon completion of the said share transfer agreement, our Company held 100% of the issued share capital of Top Talent.
- (e) On December 7, 2009, Mr. Chan, our Company, Top Talent, Good Sign and Bright Regent entered into a deed of assignment, 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 our Company.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) An equity transfer agreement dated February 18, 2009 entered into between Huayu Investment and Good Sign for the transfer of 90% equity interest in Daoyue to Good Sign for a consideration of RMB180 million;

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- (b) An instrument of transfer dated February 26, 2009 entered into between Ms. Liang Yun and Top Talent for the transfer of one share of HK\$1.00 in Good Sign from Ms. Liang Yun to Top Talent for a consideration of HK\$1.00;
- (c) A joint venture agreement dated February 28, 2009 entered into between Huayu Investment and Good Sign in respect of the joint investment by them in Daoyue;
- (d) An instrument of transfer dated May 29, 2009 entered into between Top Talent and Fameluxe Investment Limited for the transfer of one share of HK\$1.00 in Bright Regent from Fameluxe Investment Limited to Top Talent for nil consideration;
- (e) A supplemental agreement dated June 28, 2009 entered into between Huayu Investment and Good Sign in respect of the amendments to the joint venture agreement dated February 28, 2009 to reflect the increase in the total investment amount and registered capital of Daoyue;
- (f) A share transfer agreement dated November 30, 2009 entered into between Mr. Chan, VIL and our Company for transfer of the entire issued share capital of Top Talent to our Company in consideration of our Company issuing 299,999,999 Shares to VIL;
- (g) An instrument of transfer dated November 30, 2009 entered into between VIL and our Company for the transfer of one share of US\$1.00 in Top Talent from VIL to our Company in consideration of our Company issuing 299,999,999 Shares to VIL;
- (h) The Deed of Non-competition;
- (i) A deed of assignment dated December 7, 2009 entered into between Mr. Chan, our 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 our Company;
- (j) The Deed of Indemnity; and
- (k) The Public Offer Underwriting Agreement.

2. Intellectual Property Rights of our Group

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain Name	Validity period
Huayu Expressway	huayu.com.hk	May 15, 2009 to
Group Limited		May 22, 2010

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Directors' service contracts

Each of our Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other.

Each of our Directors is entitled to the respective initial basic salary set out below. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of our Company may not exceed 10% of the audited consolidated or combined net profit in respect of that financial year. An executive Director may not vote on any resolution of the Directors regarding the amount of the discretionary bonus payable to him.

The current basic annual salaries of the Directors are as follows:

Annual Amount
DMD0(0,000
RMB960,000
RMB720,000
RMB480,000
RMB480,000
RMB360,000
RMB360,000
RMB360,000
RMB360,000
RMB50,000
RMB120,000
RMB50,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries which does not expire or which is not terminable by us within one year without the payment of compensation (other than statutory compensation).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2006, December 31, 2007, December 31, 2008 and the six months ended June 30, 2009, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was Nil, Nil, HK\$18,000 and HK\$425,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2006, December 31, 2007, December 31, 2008 and the six months ended June 30, 2009 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, Directors (excluding discretionary bonus) for the year ended December 31, 2009 will be approximately HK\$106,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and its associates corporation

Immediately following completion of the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests and, or short positions of the Directors and the chief executive in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register of interest referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Interests and short positions in the Shares, underlying shares and debentures of our Company and its associated corporations:

(i) Our Company

Name of	Capacity/	Number of	Approximate percentage of interest in our Company
Director	Nature of interest	Shares	
Mr. Chan	Interest in a controlled corporation ⁽¹⁾	300,000,000	75%

Note:

(ii) Associated corporation – Daoyue⁽¹⁾

Name of Director	Capacity/Nature of interest	Approximate percentage of equity interest in Daoyue
Mr. Chan	Interest in a controlled corporation ⁽²⁾	10%

Notes:

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as we are aware, each of the following persons, other than a Director or chief executive of our Company will, immediately following completion of the Share Offer (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding immediately after the Shares Offer
VIL	Beneficial owner	300,000,000	75%
Mr. Chan	Interest in a controlled corporation ⁽¹⁾	300,000,000	75%
Note:			

Mr. Chan holds the entire issued share capital of VIL and will be deemed to be interested in the 300,000,000 Shares held by VIL for the purpose of the SFO.

Mr. Chan holds the entire issued share capital of VIL and will be deemed to be interested in the 300,000,000 Shares held by VIL for the purpose of the SFO.

Daoyue is a domestic company incorporated in the PRC and its registered capital is not divided into shares with a nominal value each.

Mr. Chan is indirectly holding 90.67% of the equity interest in Huayu Investment thus is deemed to be interested in the 10% interest in Daoyue held by Huayu Investment

2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (other than a Director or chief executive of our Company) who will, immediately following completion of the Share Offer (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of the Directors nor the chief executive of our Company has any interest or short position in any of the Shares, underlying shares or debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register of interest referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;
- (c) none of the Directors nor any of the parties listed in the section headed "Statutory and General Information F. Other Information 9. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors nor any of the parties listed in the section headed "Statutory and General Information F. Other Information 9. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

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- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "Statutory and General Information F. Other Information 9. Consents of experts" in this Appendix:
 - (i) has any shareholding in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

E. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the Shareholders passed on November 30, 2009 and adopted by a resolution of the Board on November 30, 2009 ("Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as mentioned in the section headed "Statutory and General Information — E. Share Option Scheme — 3. Who may join" below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain 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 our Group, and additionally in the case of Executives (as defined in the section headed "Statutory and General Information — E. Share Option Scheme — 3. Who may join"), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date (the "Approval Date") on which the following conditions are fulfilled:

- (a) the approval by the sole Shareholder of our Company for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange.

3. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:—

- (a) any proposed executive director, manager, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Employee"), any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Executive");
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the foregoing persons.

(the persons referred to above are the "Eligible Persons")

4. Maximum number of Shares

(a) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not in aggregate exceed 10 per cent. of the Shares in issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) as at the Listing Date (the "Scheme Mandate Limit"), provided that our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that

the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate Limit as refreshed shall not exceed 10 per cent. of the Shares in issue as at the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Our Company shall send to the Shareholders a circular containing the details and information required under the Listing Rules.

- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to the Shareholders containing the details and information required under the Listing Rules.
- (c) Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other schemes of our Company shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

5. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the Options granted under the Share Option Scheme and any other options granted under any other schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of our Company's Shares in issue from time to time, such further grant shall be separately approved by the Shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the Subscription Price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's Shareholders. The date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/ or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

7. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and

outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders of our Company (voting by way of a poll). Our Company shall send a circular to the Shareholders containing the information required under the Listing Rules. All Connected Persons of our Company (as defined in the Listing Rules) must abstain from voting in favour at such general meeting.

Approval from the Shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted on or before 30 days after the offer date it will be deemed to have been irrevocably declined.

9. Restriction on the time of grant of Options

The Board shall not offer the grant of an Option to any Eligible Person under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, the Board shall not offer the grant of an Option to any Eligible Person during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

10. Exercise price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

11. Exercise of Options

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period, which shall not be longer than 10 years from the date on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme in any event, in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (iii) Subject as hereinafter provided and subject to the terms and conditions upon which the option was granted, an Option may be exercised by the grantee at any time during the option period, provided that:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), and none of the events for termination of employment or engagement under the section headed "Statutory and General Information E. Share Option Scheme 11. Exercise of Option (iii)(e)" exists with respect to each grantee, he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine:
 - (b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time and none of the events for termination of employment or engagement under the section headed "Statutory and General Information E. Share Option Scheme 11. Exercise of Option (iii)(e)" exists with respect to such grantee, his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant option period;
 - (c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;
 - (d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not

already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of termination on the ground of misconduct) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's Option has lapsed pursuant to the provision of the Share Option Scheme as described in this section headed "Statutory and General Information E. Share Option Scheme —11. Exercise of Option (iii)(e)" shall be final and conclusive;
- (f) if a grantee being:
 - (i) an executive Director of our Company ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or
 - (ii) a non-executive Director of our Company ceases to be a director:
 - (1) by reason of non-executive director retirement pursuant to the Articles of Association of our Company, his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(2) for reasons other than non-executive director retirement pursuant to the Articles of Association, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(g) if:

- (i) the Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
- (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the determination of the Board (in the case of (i)) or the failure of the grantee to satisfy or comply with the criteria or terms and conditions attached to the grant of the Option or which were the basis on which the Option was granted (in the case of (ii)) within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of the Board resolving that the grantee's Option has lapsed pursuant to the provision of the Share Option Scheme as described in this section headed "Statutory and General Information — E. Share Option Scheme —11. Exercise of Option (iii)(g)" shall be final and conclusive;

- (h) if a grantee (being a corporation):
 - (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee;

- (ii) has suspended, ceased or threatened to suspend or cease business;
- (iii) is unable to pay its debts;
- (iv) otherwise becomes insolvent;
- (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or
- (vi) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or threatened suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or otherwise becomes insolvent or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in this section headed "Statutory and General Information — E. Share Option Scheme — 11. Exercise of Option (iii)(h)(i) to (vi)" within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to the provision of the Share Option Scheme as described in this section headed "Statutory and General Information — E. Share Option Scheme — 11. Exercise of Option (iii)(h)" by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent;
 - (ii) has made any arrangement or composition with his creditors generally;

- (iii) has been convicted of any criminal offence involving his integrity or honesty;
- (iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in this section headed "Statutory and General Information — E. Share Option Scheme —11. Exercise of Option (iii)(i)(i) to (iv)" within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to the provision of the Share Option Scheme as described in this section headed "Statutory and General Information — E. Share Option Scheme — 11. Exercise of Option (iii)(i)" for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders of our Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider

such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

- (i) the option period (in respect of any particular Option, the period commencing immediately after the business day on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined by the Board in its absolute discretion provided that such period shall not exceed the period of 10 years from the business day on which the Option is deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme);
- (ii) the period of two months from the date of such notice; or
- (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option; or

(l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and

accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

13. Life of Share Option Scheme

Subject to the terms and conditions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options shall be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

14. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period, which starts immediately after the date the Option is deemed to be granted and accepted and ends on a date determined by the Board in its absolute discretion and which shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted;
- (b) the expiry of any of the period referred to in the section headed "Statutory and General Information E. Share Option Scheme 11. Exercise of Option" in this Appendix;
- (c) subject to the period referred to in the section headed "Statutory and General Information E. Share Option Scheme 11. Exercise of Option (iii)(l)" in this Appendix, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;

- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the following type:
 - as mentioned in the section headed "Statutory and General Information —
 E. Share Option Scheme 14. Lapse of Share Option Scheme (d)" above; or
 - (ii) if a grantee, being a corporation,
 - (1) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee;
 - (2) has suspended, ceased or threatened to suspend or cease business;
 - (3) is unable to pay its debt;
 - (4) otherwise becomes insolvent;
 - (5) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or
 - (6) commits a breach of any contract entered into between the grantee or his associate and any member of our Group; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

15. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with Chapter 17 of the Listing Rules and supplemental guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

16. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of the Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders of our Company in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Hong Kong Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of grantee; and (iii) any alteration to this section headed "Statutory and General Information — E. Share Option Scheme — 19, Amendment".

Present status of the Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued within the Scheme Mandate Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and Other Indemnity

Each of VIL and Mr. Chan (together, the "Indemnifiers") has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries (together with our Company, our "Group Companies" and each, our "Group Company") (being the material contract item (i) referred to in the section headed "Statutory and General Information — C. Further Information about our Business — 1. Summary of the Material Contracts" in this Appendix) to provide indemnities on a joint and several basis in connection with, among other things, any liability which might be payable by any of our Group Companies by reason of any transfer of property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the dealings in the Offer Shares first commence on the Stock Exchange (the "Effective Date").

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, BVI and the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group Companies on a joint and several basis in connection with, among other things, any taxation falling on any of our Group Companies resulting from or by reference to any income, profits, gains earned, accrued or received (or alleged to have been, or which should have been or deemed to be so earned, accrued or received), or any transactions, events, matters, things or any business carried on or occurring or deemed to occur on or before the Effective Date.

However, the Indemnifiers shall not be liable for any taxation or any claim in relation to any of the indemnities given under the Deed of Indemnity:

- (a) to the extent that provision or allowance (if any) has been made in the audited combined accounts of our Company for each of the three years ended December 31, 2008 and the six months ended June 30, 2009 ("Relevant Accounts") for such taxation or claim;
- (b) to the extent that such liability for taxation arises in the ordinary course of business of our Group Companies or falling on our Company or its subsidiaries in respect of its accounting period commencing on or after the Share Offer becomes unconditional unless such taxation or liability for such taxation would not have arisen but our relevant Group Company is liable as a result of any event occurring or income, profits earned, accrued or received (or alleged to have been or which should have been or deemed to be so earned, accrued or received) or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after June 30, 2009;

- (c) to the extent that such taxation or liability would not have arisen but for any act or omission or delay by any of our Group Companies voluntarily effected after the Effective Date without the prior written consent or agreement of the Indemnifiers, other than such act or omission carried out or effected in the ordinary course of business of any Group Company after the date of execution of the Deed of Indemnity or carried out, made or entered into pursuant to a legally binding commitment created on or before the date of execution of the Deed of Indemnity;
- (d) to the extent that such taxation or liability is discharged by another person who is not a Group Company and that no Group Company is required to reimburse such person in respect of the discharge of the taxation or liability;
- (e) to the extent that such claim arises, is incurred or is increased as a result of imposition of taxation as a consequence of any retrospective change in the law, rules or regulations by the Inland Revenue Department of Hong Kong or the tax authorities of the PRC, the Cayman Islands, BVI or any other relevant authority in any part of the world coming into force after the Effective Date or to the extent such claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect, provided that the Indemnifiers shall be liable for any taxation or claim in connection with any additional taxation falling on our Group Company or any of our Group Companies incurred on or before the Effective Date which is imposed on, pursuant to, arising or resulting from the change of taxation policy or treatment of basis for calculation of PRC Enterprise Income Tax by the relevant taxation authorities in the PRC; and
- (f) to the extent that any provision, reserve or allowance made for such liability for taxation or taxation claim in the Relevant Accounts which is finally established to be an over-provision or an excessive reserve or allowance provided that the amount of any such over-provision or reserve applied pursuant to any of the above provisions to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity as aforesaid and none of our Group Companies shall in any circumstances be liable to pay the Indemnifiers any such excess.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group.

3. Preliminary Expenses

The preliminary expenses of our Company was US\$3,971 (equivalent to approximately HK\$30,973.80) which has been paid by our Company.

4. Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned in this prospectus and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of any options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company or any of its subsidiaries;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Mizuho	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
KPMG	Certified public accountants
Parsons	Traffic consultant
Jones Lang LaSalle Sallmanns Limited	Professional property and business valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Global Law Office	PRC legal advisers

8. Consents of experts

Each of Mizuho, KPMG, Parsons, Jones Lang LaSalle Sallmanns Limited, Conyers Dill & Pearman and Global Law Office has given and has not withdrawn their respective written consent to the issuance of this prospectus with the inclusion of their report and/or letter and/or valuations and/or legal opinion (as the case may be) and references to their name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the WHITE and YELLOW and GREEN Application Forms, (ii) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 9. Consents of Experts" in Appendix VII to this prospectus, (iii) the statement of adjustments to the accountants' report set out in Appendix I to this prospectus and (iv) copies of the material contracts referred to in the section headed "Statutory and General Information — C. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles of our Company;
- (2) the Accountants' Report prepared by KPMG, the texts of which are set out in Appendix I to this prospectus and the related statement of adjustments;
- (3) the audited consolidated financial statements of Daoyue for each of years ended December 31, 2007 and December 31, 2008;
- (4) the letter received from KPMG on unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this prospectus;
- (5) the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix V to this prospectus;
- (6) the letter and summary of valuation relating to 100% equity interest in Daoyue prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;
- the report prepared by KPMG on discounted future estimated cash flows in connection with the business valuation of 100% equity interest in Daoyue prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- (8) the letter received from Mizuho regarding the business valuation of 100% equity interest in Daoyue prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;
- (9) the letter prepared by Parsons relating to the traffic and toll revenue study of the Sui-Yue Expressway (Hunan Section), the texts of which are set out in Appendix IV to this prospectus;
- (10) the material contracts referred to in the section headed "Statutory and General Information C. Further Information about our Business 1. Summary of Material Contracts" in Appendix VII to this prospectus;
- (11) the service contracts with each of the Directors, referred to in the section headed "Statutory and General Information D. Further Information about the Directors 1. Directors' service contracts" of Appendix VII to this prospectus;
- (12) the written consents referred to in the section headed "Statutory and General Information F. Other Information 9. Consents of Experts" in Appendix VII to this prospectus;
- (13) the PRC legal opinions issued by Global Law Office, our legal advisers on PRC law in respect of certain aspects of our Group and the property interests of our Group;
- (14) the letter prepared by Conyers Dill & Pearman, our legal advisers on Cayman Islands laws summarising certain aspects of the Companies Law referred to in Appendix VI to this prospectus;
- (15) the Companies Law; and
- (16) the rules of the Share Option Scheme.

HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司