
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.

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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.

RISK FACTORS

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).

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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.

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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.

RISK FACTORS

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.

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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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

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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 end-users. 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.

RISK FACTORS

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.

RISK FACTORS

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 (外匯調劑市場). 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.

RISK FACTORS

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 PRC-resident 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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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 Sui-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.

RISK FACTORS

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.