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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

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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.

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

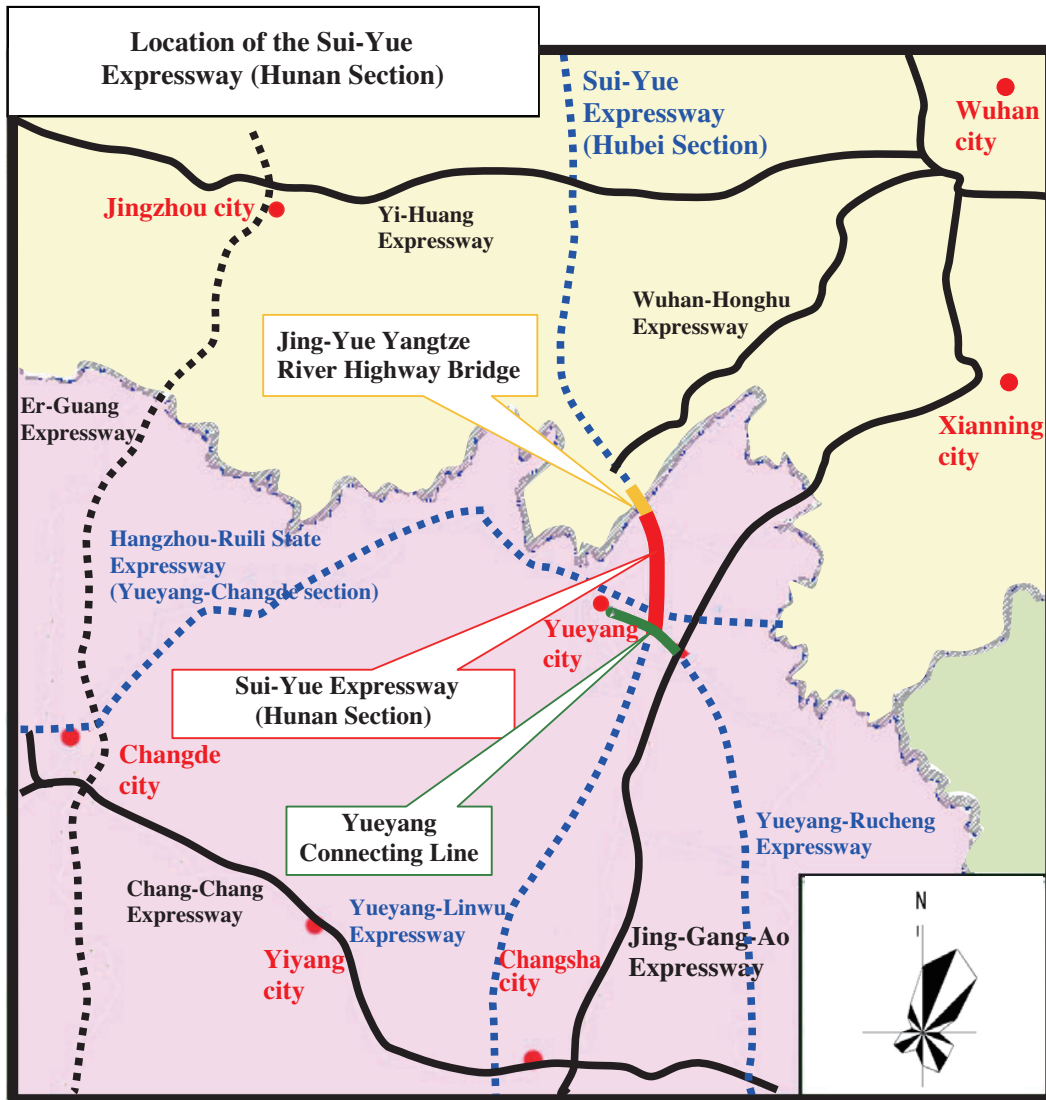
- (1) the Yueyang-Rucheng Expressway (岳陽至汝城高速公路), to reach Jiangxi Province and Guangdong Province through Rucheng county in Hunan Province. As integral parts of the Yueyang-Rucheng Expressway, the Liling-Chaling Expressway (醴陵至茶陵高速公路), Hengyang-Yangling Expressway (衡陽至炎陵高速公路) and the Yanling-Rucheng 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

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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



Map Legend

- Provincial borders
- Existing expressway
- - - - - 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.

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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;

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- (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.

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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-

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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.

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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.

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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.

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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

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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).

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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 develop 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.

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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.

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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

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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

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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.

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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.

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

Initial Concession Agreement	Concession Agreement
1. Concessionaire: Huayu Investment <i>(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)</i>	Concessionaire: Daoyue <i>(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.)</i>
2. Concession Period: 25 years	Concession Period: 27 years
3. Building standards of the Sui-Yue Expressway (Hunan Section): Dual two-lane standards	Building standards of the Sui-Yue Expressway (Hunan Section): Dual three-lane standards
4. Maximum design speed of the Sui-Yue Expressway (Hunan Section): 100 km per hour	Maximum design speed of the Sui-Yue Expressway (Hunan Section): 120 km per hour
5. Total estimated project investment amount: RMB0.9774 billion	Total estimated project investment amount: RMB1.717 billion
6. 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	Toll fee charges: 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)

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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.

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Initial Concession Agreement	Concession Agreement
<p>9. Maintenance requirements:</p> <p>Nil</p>	<p>Maintenance requirements:</p> <p>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.</p>
<p>10. Quality supervision and reporting:</p> <p>Nil</p>	<p>Quality supervision and reporting:</p> <p>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.</p>
<p>11. Construction of competing expressway:</p> <p>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)</p>	<p>Construction of competing expressway:</p> <p>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)</p>

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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 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. 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).

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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.

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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.

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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;

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- (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.

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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

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- (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.

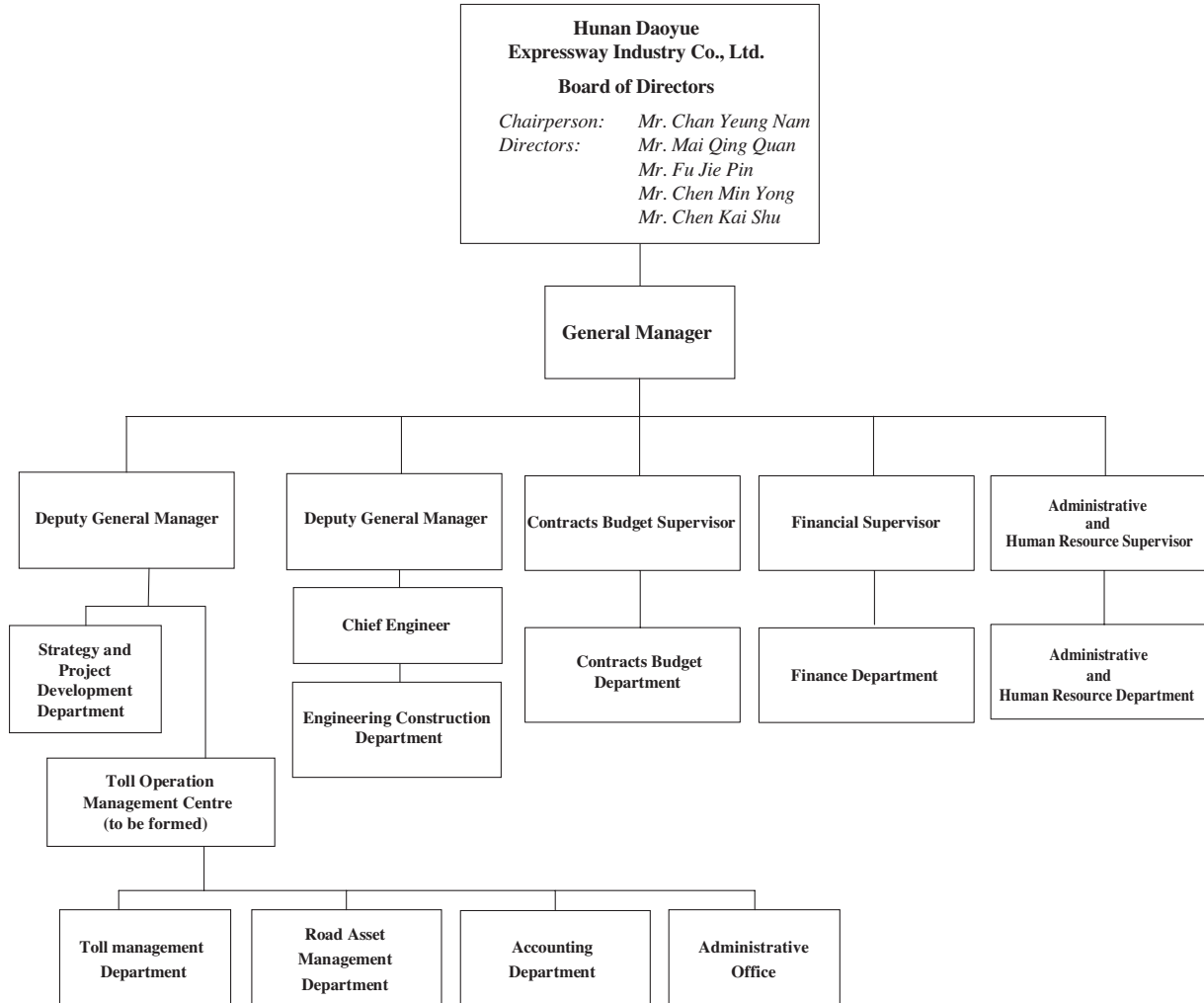
Following the completion of the main structure of the Sui-Yue Expressway (Hunan Section), our Group will appoint contractors to pave the expressway with asphalt and build traffic safety facilities and other service facilities at appropriate locations along the expressway.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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's 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.

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The payments to the planning, survey and design company are also by stage payments. 20% of the contract 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).

BUSINESS

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).

BUSINESS

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.

BUSINESS

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.

BUSINESS

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 respectively, 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

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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 (耕地佔用稅), 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.

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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

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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.

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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 Expressway (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.

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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 pre-construction 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;

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- (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);

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- (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.

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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.