
RELATIONSHIP WITH ULTIMATE CONTROLLING SHAREHOLDER

ULTIMATE CONTROLLING SHAREHOLDER

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

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

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

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

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Shenzhen Huayu Eastern Expressway Company Limited (深圳華昱東部高速公路有限公司)	building and operation of Shenzhen Eastern Expressway	an expressway linking Liantang Port (蓮塘口岸) to the intersection of Shenhui and Shenshan expressway (深惠與深汕高速公路交匯處) in Shenzhen (“Shenzhen Eastern Expressway”)	100%
Direct participation by Huayu Investment	project management for the development of Shahe Road	a road linking Bujisha Wan to Baohe Road in the Longgang district in Shenzhen (“Shahe Road”)	100%
Direct participation by Huayu Investment	project management for the development of Hengping Road	a road linking the Hengping Exit (橫坪出口) of the Shuiguan Expressway to the No. 15 Road in Longgang Town (龍崗鎮15號路) (“Hengping Road”)	100%

Shuiguan Expressway

The project company undertaking the construction, operation and management of Shuiguan Expressway is Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司) (“Shenzhen Qinglong”). The equity interest in Shenzhen Qinglong is owned as to 30% by Huayu Investment, 30% by the Ultimate Controlling Shareholder through Fameluxe Investment Limited and 40% by Shenzhen Expressway Co., Ltd., a company listed on the main board of the Stock Exchange (“Shenzhen Expressway”).

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

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

Shuiguan Expressway Extension Line

The project company undertaking the construction, operation and management of Shuiguan Expressway Extension Line is Shenzhen Huayu Expressway Investment Company Limited (深圳市華昱高速公路投資有限公司) (“Huayu Expressway Investment”). The equity interest in Huayu Expressway Investment is owned as to 60% by Huayu Investment and 40% by Shenzhen Expressway.

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

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

Shenzhen Eastern Expressway

The project company undertaking the construction, operation and management of Shenzhen Eastern Expressway is Shenzhen Huayu Eastern Expressway Company Limited (深圳華昱東部高速公路有限公司) (“Huayu Eastern”). The equity interest of Huayu Eastern is held as to 100% by Huayu Investment.

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

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

Shenzhen Qingping Expressway

The project company undertaking the construction, operation and management of Shenzhen Qingping Expressway is Shenzhen Huayu Qingping Expressway Company Limited (深圳華昱清平高速公路有限公司) (“Huayu Qingping”). The equity interest in Huayu Qingping is held as to 100% by Huayu Investment.

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

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

Shahe Road Project

Huayu Investment is engaged by Shenzhen Longgang District Land Reserve Development Centre (深圳市龍崗區土地儲備開發中心) to manage the construction of Shahe Road for fees and capital raising, project supervision and coordination of Shahe Road are undertaken by Shenzhen Longgang District Land Reserve Development Centre. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Shahe Road project. None of the members of the management team of the Shahe Road project holds any of our management positions.

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

Hengping Road Project

Huayu Investment is engaged by Shenzhen Longgang District Expressway Bureau (深圳市龍崗區公路局) to manage the construction of a section of Hengping Road of approximately 27 km for fees and the capital raising, project supervision and coordination of the Hengping Road project are undertaken by Shenzhen Longgang District Expressway Bureau. Apart from the fees payable to Huayu Investment, Huayu Investment does not hold any interest in the Hengping Road project. None of the members of the management team of the Hengping Road project holds any of our management positions.

The main line of the Hengping Road (Section A) has been opened to traffic from February 2009 and the ancillary line is currently under construction and is expected to be completed in late 2010. The total length of Hengping Road is approximately 50.37 km. As apart from the fees, Huayu Investment does not hold any interest in the Hengping Road project, it is not in a position to obtain the financial information of Hengping Road from Shenzhen Longgang District Expressway Bureau.

Reasons for excluding the Existing Projects from the Group

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

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

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

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

NON-COMPETITION UNDERTAKINGS

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

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

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

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

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

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

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

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

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

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

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

Further undertakings

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

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

INDEPENDENCE FROM THE ULTIMATE CONTROLLING SHAREHOLDER

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

Management Independence

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

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

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

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

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

Operational Independence

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

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

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

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

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Financial Independence

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

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

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

CORPORATE GOVERNANCE MEASURES

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

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