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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yuexiu Transport Infrastructure Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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越秀交通基建有限公司
Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

MAJOR TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST IN A PRC COMPANY WHICH OPERATES THE SUIYUENAN EXPRESSWAY

A letter from the Board is set out on page 4 to page 22 of this circular.

* *For identification purpose only*

21 January 2015

CONTENTS

In this circular, unless the context otherwise requires, the following terms have the following meaning:

"Accountant's Report"	means the accountant's report on the Target Company and its subsidiary sets out in Appendix IV to this circular;
"Accounts Date"	means 30 June 2014;
"Acquisition"	means the acquisition of the Sale Interest by the Purchaser pursuant to the Transfer Agreement;
"Announcement"	means the announcement of the Company in relation to the Acquisition dated 17 December 2014;
"Board"	means the board of Directors;
"Company"	means Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"Completion"	means completion of the sale and purchase of the Sale Interest;
"Completion Audit Report"	means the audited financial report on the Target Company as at the Completion Date to be issued within 20 working days of the Completion Date by an accounting firm appointed by the Vendors and the Purchaser jointly;
"Completion Date"	means (subject to the fulfilment (or waiver) of the Condition(s)) the date on which completion of the Transfer Agreement takes place, being the date on which the relevant registration authority issued the new business licence to the Target Company;
"Conditions"	means the conditions precedent to Completion;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Directors"	means the directors of the Company;
"Enlarged Group"	means the Group as enlarged by the Acquisition;
"GCA"	means Greater China Appraisal Limited, an independent professional business valuer appointed by the Group;
"Group"	means the Company and its subsidiaries;
"HKFRS"	means Hong Kong Financial Reporting Standards;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;

"Internal Rate of Return"	means the discount rate that, if applies to a stream of cash flows, will result in a zero net present value;
"km"	means kilometre(s);
"Lenders"	means the several banks and financial institutions which provided loan facilities to the Target Company secured by both the Pledge on Entire Equity Interest and the Pledge on Toll Collection Right;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	means the date which falls on the expiry of eight months of the Signing Date;
"LPD"	means 16 January 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"PBOC"	means the People's Bank of China;
"Pledge on Entire Equity Interest"	means the pledge created over the entire equity interest of the Target Company in favour of the Lenders;
"Pledge on Toll Collection Right"	means the pledge created over the toll collection right in respect of the Suiyuenan Expressway in favour of the Lenders;
"PRC"	means the People's Republic of China and, for the purposes of this circular only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Pro Forma Financial Information"	means the unaudited pro forma financial information on the Enlarged Group sets out in Appendix V to this circular;
"Purchaser"	means 越秀(中國)交通基建投資有限公司 (Yuexiu (China) Transport Infrastructure Investment Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
"RMB"	means Renminbi, the lawful currency of the PRC;
"Sale Interest"	means an aggregate of 70% equity interest in the Target Company owned by the Vendors;
"SFO"	means the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong;
"Shareholder(s)"	means the shareholder(s) of the Company;

"Shares"	means shares of nominal value of HK$0.1 in the capital of the Company;
"Signing Date"	means 17 December 2014, being the date on which the Transfer Agreement was signed;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Suiyuenan Expressway"	means the expressway owned and operated by the Target Company which starts from the junction of the Suiyue Expressway (隨岳高速) and Hanyi Expressway (漢宜高速) at Xiantao (仙桃), Maozui (毛嘴) and Zhuji (珠璣) and ends at the Jing-Yue Yangtze River Highway Bridge (荊岳長江公路大橋) located in Hubei Province;
"Target Company"	means Hubei Suiyuenan Expressway Company Limited* (湖北隨岳南高速公路有限公司), a company established in the PRC;
"Total Consideration"	means the total consideration in the amount of RMB1,949,938,435.74 payable by the Purchaser for the Acquisition comprising (i) the Cash Consideration; and (ii) the Assumed Debts;
"Transfer Agreement"	means the equity interest transfer agreement dated 17 December 2014 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Sale Interest;
"Vendor A"	means Bairong Investment Holdings Company Limited* (百榮投資控股集團有限公司), a company established in the PRC;
"Vendor B"	means Bairong World Trade Center Management Co., Ltd.* (百榮世貿商城管理有限公司), a company established in the PRC;
"Vendors"	collectively, Vendor A and Vendor B;
"Vendors Debts Transaction"	means the novation and repayment of the Vendors Debts contemplated by the Novation and Repayment Agreement; and
"%"	means percentage.

For ease of reference, the names of the PRC established companies or entities, have generally been included in this circular in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.

越秀交通基建有限公司
Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 01052)

Executive Directors:
Zhu Chunxiu *(Chairman)*
Liang Youpan
He Baiqing
Qian Shangning

Independent Non-Executive Directors:
Fung Ka Pun
Lau Hon Chuen Ambrose
Cheung Doi Shu

Registered office:
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22 Victoria Street
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23rd Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

21 January 2015

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST IN A PRC COMPANY
WHICH OPERATES THE SUIYUENAN EXPRESSWAY**

1. INTRODUCTION

Reference is made to the Announcement pursuant to which, among other things, it was announced that the Company has entered into the Transfer Agreement and the Acquisition constituted a major transaction for the Company under the Listing Rules.

2. THE TRANSFER AGREEMENT

On 17 December 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Vendor. Pursuant to the Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Interest. The principal terms of the Transfer Agreement are summarized below:

(a) **Date**

17 December 2014.

(b) **Parties**

(i) the Purchaser, a wholly-owned subsidiary of the Company;

(ii) Vendor A; and

(iii) Vendor B.

As at the LPD, Vendor A is the sole shareholder of Vendor B. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

(c) **Assets to be acquired by the Group**

As at the LPD, 98.6441% of the Target Company was owned by Vendor A and 1.3559% was owned by Vendor B. The Purchaser will acquire an aggregate of 70% of the equity interest of the Target Company of which 68.6441% is owned by Vendor A and 1.3559% is owned by Vendor B. The sale and purchase of the equity interest in the Target Company from Vendor A and Vendor B must be completed simultaneously. Upon Completion, the Company will, through the Purchaser, own the Sale Interest and the financial results of the Target Company, which will become an indirect non wholly-owned subsidiary of the Company, will be consolidated in the financial statements of the Group upon Completion.

As at the LPD, 100% of the equity interest of the Target Company (including the Sale Interest) was subject to the Pledge on Entire Equity Interest. It is one of the Conditions to Completion that the written consents of the creditors of the Target Company (including the Lenders) consenting the change of shareholders in the Target Company have been given.

(d) **Deposit**

The Purchaser shall pay RMB50 million to the Vendors as deposit ("**Deposit**") and such Deposit shall be paid into an escrow account ("**Escrow Account**") to be established in the name of Vendor A pursuant to an escrow account agreement between the Purchaser, Vendor A and a bank. The Deposit shall be paid into the Escrow Account within 10 working days of its establishment and shall be dealt with as summarised below:

(i) the Vendors shall return the Deposit to the Purchaser together with an amount equivalent to the Deposit (i.e. an aggregate of RMB100 million) if, among other things:

(A) the Condition set out in paragraph (f)(ix) below cannot be fulfilled due to the wilful or material default on the part of the Vendors or the Target Company; or

(B) the Vendors refuse to sell the Sale Interest after fulfilment (or waiver) of the Conditions; or

(ii) the Vendors may forfeit the Deposit if the Purchaser fails to purchase the Sale Interest after fulfilment (or waiver) of the Conditions; or

(iii) the Deposit (together with interest) shall be returned to the Purchaser within five working days after the Vendors have received the first instalment of the Cash Consideration (please refer to paragraph (e)(iii) below for details).

As at the LPD, the Escrow Account has been established and the Deposit has been paid into the Escrow Account.

(e) **Consideration**

The total consideration payable for the acquisition of the Sale Interest is RMB1,949,938,435.74, comprising (i) consideration in cash in the amount of RMB1,792,000,000.00 ("**Cash Consideration**"); and (ii) the Assumed Debts in the amount of RMB157,938,435.74. If applicable, certain amounts as specified in the Transfer Agreement will be deducted from the Cash Consideration. Further details on the Total Consideration are summarised below:

(i) *Cash Consideration*

The Cash Consideration is RMB1,792,000,000.00. It is currently expected that approximately 25% of the Cash Consideration will be funded by internal resources and approximately 75% will be funded by external financing.

(ii) *Deduction from the Cash Consideration*

If applicable, 70% of the amount representing the following items ("**Deducted Amounts**") will be deducted from the Cash Consideration:

(A) the liabilities of the Target Company and other payables which existed on or before the Accounts Date and which have not been disclosed on the Accounts Date;

(B) the extent that the fixed assets of the Target Company as at the Completion Date are inadequate, damaged or the value of which is otherwise lost (fair wear and tear and ordinary depreciation excepted) as compared to the fixed assets of the Target Company as at the Accounts Date; and

(C) the decreases in the assets of the Target Company or increases in debts or liabilities of the Target Company as a result of the expenses incurred or transactions entered into by the Target Company between the Accounts Date and the Completion Date and which are not incurred in the ordinary course of business of the Target Company as permitted under the Transfer Agreement.

If the balance of the Cash Consideration is not enough to set off the Deducted Amounts, the Vendors shall pay the difference to the Purchaser. If the Deducted Amounts are discovered only after the Cash Consideration has already been fully paid to the Vendors, the Vendors are required to pay the Deducted Amounts to the Purchaser.

(iii) *Payment of the Cash Consideration*

The Cash Consideration shall be paid in three instalments, details of which are summarised below:

Instalments	Portions of the Cash Consideration	Timeline
First instalment	80% of the Cash Consideration (i.e. RMB1,433,600,000.00)	Within 15 business days after (i) the fulfilment of the Conditions which the Vendors are responsible to fulfil; (ii) the new business licence in relation to the Acquisition has been issued to the Target Company; and (iii) the Vendors have performed the obligations in relation to the handover of the management and control of the Target Company to the Purchaser in accordance with the Transfer Agreement
Second instalment	Cash Consideration x 10% – Deducted Amounts (if any) discovered after payment of the first instalment	Within 15 business days after the parties have agreed the exact amounts of the Deducted Amounts based on the Completion Audit Report
Third instalment	Cash Consideration x 10% – Deducted Amounts (if any) discovered after payment of the second instalment	Within one year after the Completion Date

(iv) *Assumption of the debts owed by the Vendors to the Target Company pursuant to the Novation and Repayment Agreement*

As at the Accounts Date, the Vendors owed RMB225,626,336.77 in aggregate to the Target Company ("**Relevant Debts**"). The Purchaser will assume 70% of the Relevant Debts (i.e. RMB157,938,435.74) at its face value ("**Assumed Debts**") with effect from the Completion Date. The amount of RMB67,687,901.03 ("**Vendors Debts**") which represents 30% of the face value of the Relevant Debts will be owed by Vendor A to the Target Company with effect from the Completion Date.

For the purpose of providing for the novation and repayment of the Assumed Debts and the Vendors Debts and interest payable thereon, the Vendors, the Purchaser and the Target Company have entered into an agreement on novation and repayment of debts owed by the original shareholders dated 17 December 2014 ("**Novation and Repayment Agreement**") pursuant to the Transfer Agreement. Please refer to the section headed "4.

Possible Connected Transaction: the Vendors Debts Transaction contemplated by the Novation and Repayment Agreement" for more information on the Novation and Repayment Agreement.

(v) *Basis upon which the Total Consideration was determined*

The Total Consideration was determined through arm's length negotiations between the Vendors and the Purchaser and on a commercial basis taking into account, among other things, the valuation on the Sale Interest and the face value of the Assumed Debts. Compared to the fair value of the Sale Interest in the amount of RMB2.02 billion as at 31 August 2014, as appraised by GCA, an independent valuer engaged by the Company, using the income approach with discounted cash flow method (which constitutes a profit forecast under Rule 14.61 of the Listing Rules ("**Profit Forecast**")), the Total Consideration represents a discount of approximately 3.5% to the appraised value of the Sale Interest. Please refer to the section headed "3. Fair Value of the Sale Interest" below for the principal assumptions on which the Profit Forecast was based.

(f) **Conditions precedent**

Completion of the Transfer Agreement is conditional upon fulfilment (or waiver, if applicable) of the Conditions on or before the Long Stop Date. A summary of certain Conditions is set out below:

(i) the information disclosed by the Vendors remains true, accurate and not misleading as at the Completion Date;

(ii) the toll level of the Suiyuenan Expressway will not be reduced to a level lower than that as at the signing of the Transfer Agreement;

(iii) all the costs for the construction of the Suiyuenan Expressway have been settled and the relevant settlement certificate(s) have been obtained;

(iv) the Target Company has obtained the written consents to the change of shareholders of the Target Company pursuant to the Transfer Agreement from its creditors (including but not limited to the Lenders) and written consents have been given by the chargees of the Sale Interest, namely the Lenders, in relation to the releases of the relevant pledge and guarantee;

(v) the Target Company has obtained the building ownership certificates for the buildings and facilities specified in the Transfer Agreement such as services complex, cars repairing garage and electricity supply room;

(vi) the Vendors have cleared the investments of the Target Company (including long term equity investments etc.) at the face value of the long term equity investments as at the Accounts Date to ensure that the Target Company will cease to hold any shareholding or other interest (whether directly, indirectly or beneficially) in any companies and the Target Company will have no investments in, or guarantee for, other companies;

(vii) the Target Company has settled all taxes unpaid or payable (including relevant penalties, if any);

(viii) all the guarantees given by the Target Company for the benefits of third parties have been discharged;

(ix) the Target Company has obtained all the approvals from competent PRC authorities which are necessary for the transfer of the Sale Interest, including but not limited to the approvals granted by the People's Government of Hubei Province and the Transport Department of Hubei Province (湖北省交通廳), approvals for the new articles of association and joint venture contract of the Target Company and certificate of approval of foreign investment certifying that the Purchaser owns 70% of the equity interest of the Target Company;

(x) each of the Vendors and the Purchaser has obtained all the internal approvals in respect of the transactions contemplated by the Transfer Agreement and has complied with the relevant procedures (including satisfaction of the disclosure and other requirements under the Listing Rules on the part of the holding company of the Purchaser); and

(xi) no material adverse effect has occurred on the Purchaser or the Target Company since the Signing Date.

All or any of the Conditions to be fulfilled by the Vendors and/or the Target Company may be waived in writing by the Purchaser with or without conditions. All or any of the Conditions to be fulfilled by the Purchaser may be waived in writing by the Vendors with or without conditions.

If any of the Conditions are not fulfilled on or before the Long Stop Date by the party responsible to fulfil the relevant Condition(s), and the other party refuses to grant a waiver, the Purchaser or the Vendors (as the case may be) may extend the period within which the Condition(s) must be fulfilled. If the Condition(s) cannot be fulfilled on or before the Long Stop Date (or within the extended period), then the Transfer Agreement shall be terminated forthwith.

As at the LPD, none of the Conditions has been fulfilled or waived and the Company did not intend to waive any of the Conditions. The Company will keep monitoring the situations and will decide whether any of the Conditions should be waived, whether conditionally or otherwise. In determining whether to waive any Conditions, the Directors will consider various factors including the materiality of the relevant Condition(s), and the materiality of the impact on the Group or the Target Company without such Condition(s) being satisfied. In particular, prior to making any decisions in waiving any of the Conditions, the Directors will take into account, among other things, (i) whether there will be any material impact on the business operation and financial conditions of the Target Company or the Group without such Condition(s) being fulfilled; (ii) whether there are any legal and financial risks involved and the materiality and remoteness thereof; and (iii) whether, taking into account all the circumstances, the interest of the Company and the Shareholders as a whole would be adequately protected without such Condition(s) being fulfilled.

(g) **Completion**

Completion of the Transfer Agreement will take place on the Completion Date, which shall be the date on which the new business licence of the Target Company is issued by the relevant registration authority, provided that all the Conditions have been fulfilled or waived (as the case may be).

(h) **Vendors' undertakings**

The Vendors undertake to the Purchaser, among other things, that:

(i) if the actual amounts of the principal, interest and compensation for breaches of contracts in relation to the construction of the Suiyuenan Expressway required to be paid by the Target Company to the relevant contractors and suppliers exceed the amounts disclosed before the Accounts Date, the Vendors shall be responsible for the payment of the exceeding portion; and

(ii) they will be responsible for handling the arbitration case referred to in an application for arbitration dated 8 July 2014 ("**Arbitration Application**") pursuant to which Wenzhou Communications Construction Group Company Limited* (溫州交通建設集團有限公司) ("**Wenzhou Communications**")) applied to the Wuhan Arbitration Commission* (武漢仲裁委員會) for arbitration in relation to a contract that it entered into with the Target Company in respect of the construction of the Suiyuenan Expressway.

Wenzhou Communications alleged in the Arbitration Application that it has suffered losses as a result of the delay in the construction works due to, among other things, the repeated changes to the design of the Suiyuenan Expressway. Wenzhou Communications sought for (x) damages in the amount of RMB58,845,838.00 together with interest thereon calculated at the rate of 6% per annum for the period commenced on 10 November 2011 up to the date of actual payment and (y) payment of construction fee due in the amount of RMB500,000.00 together with interest thereon calculated at the rate of 6% per annum for the period commenced on 1 July 2013 up to the date of actual payment. The arbitration hearing took place on 18 November 2014. According to the arbitration rules of the Wuhan Arbitration Commission, the arbitration result will be available within four months after the hearing panel has been formed. On this basis, it is expected that the arbitration result will be available before the end of February 2015.

As disclosed in note 23 to the "Notes to Financial Information" contained in Appendix IV to this circular, the board of the Target Company, having taken legal advice, are of the view that the Target Company has good rebuttal to the argument set forth in the arbitration documents. The board of the Target Company considers that the probability of loss is remote and will not have significant financial or operational impact to the Target Company and as such no provision need be made for this legal claim. After reviewing related documents submitted to the Wuhan Arbitration Commission by each of Wenzhou Communications and the Target Company and consultation with the Target Company's legal advisor on the merits of the Target Company's case, the Company's external PRC legal adviser had advised the Company that it concurred with the view of the Target Company that it has good rebuttal to the arguments of Wenzhou Communications set forth in the arbitration documents.

(i) **Management of the Target Company after Completion**

After Completion, the board of directors of the Target Company shall comprise of seven directors of which five shall be appointed by the Purchaser and the remaining two shall be appointed by Vendor A.

3. FAIR VALUE OF THE SALE INTEREST

For the purpose of complying with Rule 14.62 of the Listing Rules, the major assumptions on which the Profit Forecast was based are set out below:

(a) there will be no material changes in the existing political, legal, fiscal, foreign trade or economic conditions in the PRC where the Target Company is operated;

(b) there will be no significant deviation in the industry trends and market conditions from the current market expectation;

(c) there will be no major changes in the current taxation law in the PRC and countries of origin of the comparable companies;

(d) there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

(e) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;

(f) credit terms and repayment schedules of bank loans are provided by the management of the Target Company;

(g) depreciation policy of the Target Company is subject to the accounting policy of the Group as enlarged by the acquisition of the Target Company;

(h) there will be no significant deviation in the current assets and current liabilities assumption made by the management of the Target Company;

(i) future revenue growth will conform to those forecasted by Jie Cheng Consultants Limited ("**Jie Cheng**") (Please refer to Tables 1 and 2 below for summaries of certain information on the traffic forecast projection on the Suiyuenan Expressway extracted from the traffic study report dated November 2014 prepared by Jie Cheng);

(j) the amount of operating expenses and capital expenditure will conform to those forecasted by Jie Cheng; and

(k) the Target Company will retain its competent management, key personnel, and technical staff to support the ongoing operation of its business.

Table 1 — Summary of Traffic Forecast Projections on Average Daily Toll Traffic basis ("ADTT")

Year	Optimistic case *(Vehicle/day)*	Conservative case *(Vehicle/day)*
2015	9,361	8,981
2016	10,241	9,632
2017	11,906	11,037
2018	12,917	11,796
2019	14,374	13,000
2020	15,957	14,302
2025	24,362	21,422
2030	31,385	28,464
2035	34,287	32,458
2040	35,266	33,439

Table 2 — Summary of Traffic Forecast Projections In Annual Revenue

Year	Optimistic case *(RMB in million)*	Conservative case *(RMB in million)*
2015	495	475
2016	539	507
2017	625	580
2018	676	618
2019	750	679
2020	830	744
2025	1,246	1,098
2030	1,581	1,438
2035	1,704	1,619
2040 *(Note)*	324	308

Note: there are only 68 toll collection days in year 2040.

The Board has reviewed the principal assumptions upon which the Profit Forecast was based and is of the view that the Profit Forecast has been made after due and careful enquiry.

PricewaterhouseCoopers, the reporting accountant of the Company, has issued a report on the calculations for the discounted future estimated cash flows on which the valuation prepared by GCA was based. Please refer to Appendix II to this circular for the said report of PricewaterhouseCoopers.

A letter from the Board is set out in Appendix I to this circular for the purpose of Rule 14.62 of the Listing Rules.

4. POSSIBLE CONNECTED TRANSACTION: THE VENDORS DEBTS TRANSACTION CONTEMPLATED BY THE NOVATION AND REPAYMENT AGREEMENT

As disclosed in the section headed "2. The Transfer Agreement — (e) Consideration — (iv) Assumption of the debts owed by the Vendors to the Target Company pursuant to the Novation and Repayment Agreement", the Vendors, the Purchaser and the Target Company have entered into the Novation and Repayment Agreement in relation to, among other things, repayment of the Vendors Debts. Set out below is a summary of the principal terms of the Novation and Repayment Agreement:

Amounts of debts novated from the Vendors to the Purchaser	:	RMB157,938,435.74
Amounts of debts continued to be owed by Vendor A to the Target Company	:	RMB67,687,901.03
Interest rate	:	One-year RMB lending rate quoted by the PBOC on the Completion Date
Final maturity and repayment	:	Both the Assumed Debts and the Vendors Debts together with the interest thereon shall be repaid on the date falling on the first anniversary of the Completion Date. The Target Company may use dividends or other benefits distributed by the Target Company which Vendor A and the Purchaser are respectively entitled to for setting off the Vendors Debts and the Assumed Debts
Termination	:	If the Transfer Agreement is terminated before Completion for whatever reasons, the Novation and Repayment Agreement shall be terminated accordingly.
Collateral	:	Not required

For the reasons set out in the section headed "7. Implications under the Listing Rules — (b) the Vendors Debts Transaction" of the Announcement, the Vendors Debts Transaction will, if Completion occurs, constitute a connected transaction for the Company on the Completion Date.

5. INFORMATION ON THE TARGET COMPANY AND THE SUIYUENAN EXPRESSWAY

The Target Company is a company established in the PRC with limited liability and is principally engaged in the construction, operation and management of the Suiyuenan Expressway. The registered capital of the Target Company is RMB1.77 billion and has been fully paid up. The operating term of the Target Company is 35 years commenced on 26 September 2003 and ending on 26 September 2038. Since the current operating term of the Target Company will end before the expiry of the toll collection period on 9 March 2040, the new articles of association and joint venture contract of the Target

Company between Vendor A and the Purchaser will be amended so that the operating term of the Target Company will end on 10 March 2042. It is one of the Conditions that approvals for the new articles of association and joint venture contract of the Target Company have been granted by the relevant competent PRC authority.

Pursuant to a document issued by the People's Government of Hubei Province on 6 January 2014, the People's Government of Hubei Province approved that the toll collection period for the Suiyuenan Expressway be extended from 27 years to 30 years starting from the date on which toll collection stations were set up. On this basis, the toll collection period for the Suiyuenan Expressway is 30 years commenced on 10 March 2010 and ending on 9 March 2040.

The toll level of the Suiyuenan Expressway is determined by the People's Government of Hubei Province primarily based on types of vehicles (passenger vehicles or goods vehicles) and (in the case of goods vehicles) the weight of loading. Details of the toll charged by the Target Company as at the Signing Date and the LPD were set out in the tables depicted in the section headed "5.4 Toll Rates" contained in Appendix VII to this circular. The toll level of the Suiyuenan Expressway was determined in accordance with a document entitled "Approval in respect of the Establishments of Toll Collection Stations at the Southern Section of Hubei Province of the Expressway Connecting Suizhou and Yueyang" (《省人民政府關於設立隨州至岳陽高速公路湖北省南段收費站有關問題的批覆》) issued by the People's Government of Hubei Province to the Target Company on 31 December 2009. Such toll level has not been changed since it has been determined and remained unchanged as at both the Signing Date and the LPD.

The toll length of the Suiyuenan Expressway is 98.06 km. The design speed is 100 km per hour. The Suiyuenan Expressway is a dual four lane expressway with four toll collection stations. The construction of the Suiyuenan Expressway was commenced in December 2004 and was completed for operation in March 2010, with a final project cost of approximately RMB5.288 billion (i.e. approximately RMB54 million per km).

Set out below is the financial information of the Target Company and its subsidiary for the two years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively which were prepared in accordance with the HKFRS:

	Year ended 31 December 2012	**Year ended 31 December 2013**	**Eight months ended 31 August 2014**
	Audited	*Audited*	*Audited*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	312,581	405,355	307,615
(Loss)/Profit before tax	(99,628)	(30,472)	11,101
(Loss)/Profit after tax	(99,628)	(30,472)	11,101
Total Equity	1,148,715	1,118,243	1,132,389

6. INFORMATION ON THE GROUP AND THE VENDORS

The Group is principally engaged in the investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC. The Group has also invested in a terminal project located in the Chishuixu operation area of the Wuzhou port, Guangxi Zhuang Autonomous Region, the PRC. The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

Vendor A, the sole shareholder of Vendor B, is a company established in the PRC whose scope of business includes, among other things, investment and management of investment, sale of textiles, hardware, chemical products, machinery.

Vendor B, a wholly-owned subsidiary of Vendor A, is a company established in the PRC whose scope of business includes organization of exhibitions and properties management.

7. FINANCIAL AND TRADING PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

The Group

For the year ended 31 December 2013, the Group recorded an audited toll revenue of RMB1,753.1 million representing an increase of approximately 18% compared to the audited toll revenue of RMB1,485.2 million for the year ended 31 December 2012. The audited gross profit of toll collection was RMB1,171.5 million for the year ended 31 December 2013, representing an increase of approximately 19.2% from RMB983.2 million for the year ended 31 December 2012. For the six months ended 30 June 2014, the Group recorded an unaudited toll revenue of RMB877.5 million representing an increase of approximately 6.4% compared to the unaudited toll revenue of RMB824.8 million for the six months ended 30 June 2013. The unaudited gross profit of toll collection was RMB589.8 million for the six months ended 30 June 2014, representing an increase of approximately 5.8% from RMB557.3 million for the six months ended 30 June 2013.

With respect to the financial year commenced on 1 January 2014, the Group managed to boost operational performance of its projects through its reinforced efforts in road marketing such as optimization of signals and signs, propaganda by broadcast and radio and distribution of driving guidance and deepening the linkage mechanism of "road administration, traffic police and rescue" to ensure smooth traffic. Meanwhile, the Group strengthened its core operational capabilities through further enhancing the standardized management in maintenance, road administration, electromechanics and so on. Additionally, the Group, by actively promoting the informationization of administrative system, professional manager mechanism, comprehensive risk management system managed to further enhance the internal managerial efficiency.

The Enlarged Group

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

Looking forward to 2015, after Completion, the Enlarged Group will continue with the existing principal business of the Group in investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC. In addition, with the Acquisition, the Enlarged Group will own 13 toll projects with a total attributable length of 369.95 km with growing exposure in central and western regions which is in line with the Group's strategic development plan.

The Directors consider that the Acquisition will enhance the income and assets base of the Group. In addition, the Directors consider that the Acquisition will create attractive business opportunities for the Group and will broaden its revenue base. The Directors noted the existence of the Arbitration Application and are of the view that even if the Wuhan Arbitration Commission orders the Target Company to pay the maximum amount of the compensation claimed by Wenzhou Communications (i.e. RMB59,345,838 together with interest thereon), the financial and operational positions of the Target Company would not be adversely affected for the following reasons: (i) pursuant to the Transfer Agreement, the Vendors have undertaken to be responsible for any amount exceeding the aggregate of RMB116,584,731.25 ("**Maximum Payables**") in respect of the actual liabilities paid by the Target Company. The Maximum Payables comprised principally the construction fees of the Suiyuenan Expressway payable by the Target Company as at the Accounts Date (including without limitation the fee which is the subject of the Arbitration Application) and were determined based on the Company's findings in its financial due diligence on the Target Company and after arm's length negotiations with the Vendors. If the actual amounts paid by the Target Company in respect of the Arbitration Application and other items in relation to the Maximum Payables result in the agreed provision of liabilities payable by the Target Company (i.e. RMB116,584,731.25) being exceeded, the Purchaser may rely on the aforesaid contractual term to seek remedies from the Vendors; and (ii) as disclosed in note 2(a) to the "Notes to Financial Information" contained in Appendix IV to this circular, the Vendors have agreed to provide financial support to the Target Company so as to enable the Target Company to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations up to the completion of the Acquisition. As such, the Directors believe that the Target Group will continue as a going concern.

8. RISK FACTORS

The Directors noted that there are certain risks involved in the management and operation of the Target Company, including but not limited to:

A decline in traffic volume may adversely affect the Target Company's revenue and earnings and traffic volume may be affected by factors beyond the Target Company's control.

Revenue from the Suiyuenan Expressway are principally dependent on the number and classes of motor vehicles using such road and the applicable toll regime. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative road(s), the existence of other means of transportation, including rail, aviation and waterway, fuel prices, taxation and environmental regulations. There can be no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, and consequently have an adverse effect on the revenue, results of operations and financial condition of the Target Company.

The toll regime significantly impacts the Target Company's revenues and is regulated by government authorities.

The toll rates for the Suiyuenan Expressway are subject to regulation by the relevant government authorities in the PRC. Toll rates require approval from the relevant government authorities. There can be no assurance that the relevant government authorities will approve a request for increase in toll rates in a timely manner or at all or that relevant government authorities will not at any time request a toll rate reduction.

The results of operations of the Target Company may be affected by competing roads and bridges and other modes of transportation.

The results of the Target Company may in the future be affected by competing roads and bridges and alternative modes of transportation. There can be no assurance that competing expressways, toll roads or bridges will not be built or that alternative routes which avoid the tolls or charge lower or zero tolls will not be devised.

Changes to the provincial government's transportation-related policies may impact the revenues and earnings of the Target Company.

The Target Company's operations are sensitive to changes in the PRC government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulations, toll regime and the planning, development, construction and management of expressways in the PRC. There is no assurance that changes in such policies would not have a material adverse effect on the financial condition and results of operations of the Target Company.

The Target Company revenue consists solely of revenues from the Suiyuenan Expressway.

The Target Company revenue consists solely of revenues from the Suiyuenan Expressway. If the transportation of the Suiyuenan Expressway is disrupted or suspended, the Target Company's business, revenues and profitability could be materially adversely affected.

9. SIGNIFICANT FINANCIAL EFFECTS OF THE ACQUISITION

The Directors have considered the Pro Forma Financial Information and noted the following significant financial effects of the Acquisition (assuming completion of the Acquisition on 30 June 2014 ("**Pro Forma Completion Date**")) to the Enlarged Group as compared to the financial position of the Group as at 30 June 2014:

	Before the Acquisition	**Upon completion of the Acquisition (pro forma Enlarged Group)**	**Change**	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	%
Total assets	17,634,538	24,028,897	6,394,359	36.3
Net assets	10,279,617	11,027,437	747,820	7.3
Borrowings	5,385,194	10,499,085	5,113,891	95.0
Cash and bank balances	1,135,891	682,281	-453,610	-39.9

Impacts on assets and liabilities

On the Pro Forma Completion Date, all the identifiable assets and liabilities of the Target Company would be stated at fair value and consolidated into the account of the Company.

On the assets side, the Acquisition would have material impacts on "intangible operating rights", "goodwill" and "bank balances and cash" in the Enlarged Group level. Based on the Pro Forma Financial Information, "intangible operating rights" would increase from RMB13.1 billion to RMB19.7 billion after consolidating the "intangible operating rights" of the Target Company stated at fair value; "goodwill" of RMB196.9 million was arisen from the Acquisition and "bank balances and cash" would decline from RMB1.1 billion to RMB682.3 million as the Company intended to finance approximately 25.0% of the Cash Consideration by internal resources.

On the liabilities side, the major impacts would be on "borrowings". On the Pro Forma Completion Date, the borrowings of the Group would be increased by the existing borrowings of the Target Company as shown in the Accountant's Report of approximately RMB3.8 billion; and the banking facilities obtained during the periods from 19 September 2014 to 31 October 2014 before the date of this circular to finance approximately 75.0% of the Cash Consideration.

Upon Completion, the fair value of the net identifiable assets, liabilities and contingent liabilities of the Target Company will have to be assessed. As a result of such reassessment, the assets and liabilities of the Target Company upon Completion may be different from the estimations based on the basis stated for the purpose of preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

Impacts on net assets

On the Pro Forma Completion Date, all the identifiable assets and liabilities of the Target Group would be stated at fair value. After provision of the estimated transaction costs of approximately RMB3.5 million as stated under the Pro Forma Financial Information, the pro forma net assets of the Enlarged Group will be increased to RMB11.0 billion.

Impacts on earnings

As set out in the annual report of the Company for the 12 months ended 31 December 2013 and interim report of the Company for the six months ended 30 June 2014, the audited profit attributable to shareholders of the Company was RMB554.4 million for the year ended 31 December 2013 and the unaudited profit attributable to the shareholders of the Company for the six months ended 30 June 2014 was RMB290.5 million. As set out in the Accountant's Report, the audited loss after tax and extraordinary items of the Target Group for the year ended 31 December 2013 was RMB30.5 million, representing an improvement of approximately 69.4% from 2012 and audited profit after tax and extraordinary items for the eight months ended 31 August 2014 amounted to RMB11.1 million, representing a turnaround from a loss position to profit position as compared to the unaudited loss after tax and extraordinary items of RMB32.5 million for the eight months ended 31 August 2013.

As at the LPD, it is expected that the Acquisition will affect the earnings of the Group as described below:

(1) increase contributions from the operations of the Target Group given (a) the historical financial information of the Target Group, as set out in the Accountant's Report, indicated that the Target Company is approaching the end of the usual "incubation" phase of a toll expressway and started to record profit after tax (under the HKFRS) for the eight months ended 31 August 2014 and (b) the Target Company's projected revenue growth shown in the "Traffic Study Report" in Appendix VII to this circular;

(2) decrease in earnings due to amortization of the fair value adjustments of RMB1.75 billion recognized at the Pro Forma Completion Date as shown in the "Pro Forma Financial Information; and

(3) decrease in earnings due to increased finance costs as a result of increase in borrowings upon Completion as mentioned in the section headed "Impact on assets and liabilities" above.

The Group will review the remuneration payable to and benefits in kind receivable by the directors of the Target Group after Completion and will consider whether there will be any variation in consequence of the Acquisition. Despite the anticipated finance costs that will incur from the increased borrowings upon Completion and the amortization of fair value adjustments in the coming years, but taking into account the historical earnings growth of the Target Group and that it is expected that its toll revenue will continue to increase in the coming years as projected in the Traffic Study Report, the Directors believe that the Acquisition would become one of the key drivers of the Group in terms of profit and cash flow contribution in the mid to long term operation.

Gearing ratio and working capital position

As shown in the 2014 interim report of the Company, the gearing ratio[1] (calculated as net debts to total capitalization (which is equal to the sum of net debt and total equity)) of the Group was approximately 29.7%.

The Total Consideration is RMB1,949,938,435.74 of which RMB1,792,000,000.00 is the Cash Consideration. 25.0% of the Cash Consideration is intended to be financed by internal resources and approximately 75.0 % by external financing. The Group has obtained new unsecured term loans during the periods from 19 September 2014 to 31 October 2014 before the date of this circular for an aggregate amount up to HK$1.67 billion (equivalent to approximately RMB1.3 billion).

According to the Accountant's Report, borrowings of the Target Group as at 31 August 2014 amounted to RMB3.8 billion. The said borrowings are secured floating rate project loans in RMB. Approximately 11.3% of the said loans will mature within one year and approximately 88.7% is long term. The effective interest rate per annum of the said loans as at 31 August 2014 was 6.76%. The net assets of the Target Group as at 31 August 2014 amounted to RMB1.13 billion. Gearing ratio of the Target Group using the same calculation method used by the Group would be approximately 76.7%.

On the Pro Forma Completion Date, the financial statements of the Target Group will be consolidated into the Group. As shown in the Pro Forma Financial Information, given the unaudited pro forma total borrowings of the Enlarged Group would be increased to RMB10.5 billion and the unaudited pro forma bank balances and cash of the Enlarged Group would be reduced to RMB682.3 million, by applying the same calculation method used by the Group, the unaudited pro forma gearing ratio of the Enlarged Group will be approximately 47.1%.

Despite the temporary decrease in the cash position and the expected increase in gearing ratio of the Enlarged Group due to the Acquisition, but taking into account the expected future cash inflows of the Target Group as projected in the valuation report of the Target Company set out in Appendix VI to this circular, the Directors consider that the Acquisition would significantly strengthen the overall cash position of the Enlarged Group over time and optimize the leverage level of the Enlarged Group to create an accretive effect on shareholder's return on equity.

10. REASONS AND BENEFITS FOR THE ACQUISITION

The Suiyuenan Expressway is situated at the heart of the PRC. It connects Henan Province, Shaanxi Province, Hubei Province and Hunan Province vertically. Being located in the Hubei section of the duplicate trunk line of the Beijing-Hong Kong-Macau expressway and ending at the Jing-Yue Yangtze River Highway Bridge (荊岳長江公路大橋), the Suiyuenan Expressway is situated at a strategic location and enjoys a distinguished geographical advantage and thus has bright prospects. Hubei Province, where the Suiyuenan Expressway is located, is an important region for the PRC's strategy of "Rise of Central China". Wuhan is Hubei's capital city and a traffic centre. Wuhan is also

1 Please refer to the section headed "Management Discussion and Analysis — Analysis of capital structure" on page 39 of the Company's 2014 interim report for computation of the gearing ratio.

the transfer hub for the traffic and logistics of the PRC. In recent years, Wuhan has experienced a fast growth in both the economy and transportation. It is expected that the future development of Wuhan will continue to be strong and, therefore, can create sufficient potential traffic flow for the Suiyuenan Expressway in the future.

The Suiyuenan Expressway has a toll length of 98.06 km. This is the longest compared to other expressways being operated by the Group and is in line with the Group's strategy to explore large scale projects. The concession period of the Suiyuenan Expressway has a remaining term of more than 25 years before its expiry on 9 March 2040 which is relatively long and can, therefore, allow the Suiyuenan Expressway to contribute to the future growth of the Group in the long term.

Since the commencement of toll collection in March 2010, Suiyuenan Expressway has been in the so-called "incubation" phase of a toll road, therefore, the Target Company was operating at a loss in the amounts of approximately RMB99.6 million and RMB30.5 million for the two years ended 31 December 2012 and 2013 respectively as shown in the Accountant's Report. However, as set out in the Accountant's Report, the revenue for the two years ended 31 December 2012 and 2013 amounted to approximately RMB312.6 million and RMB405.4 million respectively, representing an annual growth rate of approximately 58.5% and 29.7% for 2012 and 2013 respectively while the loss had decreased from approximately RMB99.6 million for the year ended 31 December 2012 to approximately RMB30.5 million for the year ended 31 December 2013. It is also noted that the Target Company recorded an audited profit of approximately RMB11.1 million for the eight months ended 31 August 2014 as shown in the Accountant's Report. The Board believes that the Suiyuenan Expressway is approaching the end of the "incubation" phase and will become one of key drivers of the Group in terms of profit and cash flow contribution in the mid to long term. The Acquisition is also consistent with the Group's strategy of selecting projects with high growth potential for acquisition as disclosed in the annual report of the Group for 2013.

The total equity of the Target Company as at 31 August 2014 as per the Accountant's Report was approximately RMB1,132.4 million. The fair value of the Sale Interest as at 31 August 2014 (as appraised by GCA by adopting the income approach with discounted cash flow method) was approximately RMB2.02 billion. The Total Consideration represents a discount of approximately 3.5% to the said appraised value. The Internal Rate of Return of the Target Company as derived from the discounted cash flow method by GCA was approximately 11.78% to the said appraised value.

Having taken into account the above reasons and benefits, the Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

11. IMPLICATIONS OF THE ACQUISITION UNDER LISTING RULES

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at a general meeting. However, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition and a closely allied group of Shareholders, who are interested in an aggregate of 1,014,796,050 Shares representing approximately 60.65% of the issued share capital of the Company as at the date of the

Announcement having the right to attend and vote at any general meeting of the Company, has given its written approval of the Acquisition, the written approval of the aforementioned group of Shareholders will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The aforesaid Shareholders are (i) Yue Xiu Enterprises (Holdings) Limited (holding 8,653 Shares representing approximately 0.001% of the issued share capital in the Company); (ii) Grace Lord Group Limited (holding 578,428,937 Shares representing approximately 34.571% of the issued share capital in the Company); (iii) Housemaster Holdings Limited (holding 367,500,000 Shares representing approximately 21.964% of the issued share capital in the Company); (iv) Yue Xiu Finance Company Limited (holding 54,443,000 Shares representing approximately 3.254% of the issued share capital in the Company); (v) Greenwood Pacific Limited (holding 13,761,460 Shares representing approximately 0.822% of the issued share capital in the Company); and (vi) Dragon Year Industries Limited (holding 654,000 Shares representing approximately 0.039% of the issued share capital in the Company), all being subsidiaries of Guangzhou Yuexiu Holdings Limited.

12. VOTING RECOMMENDATION

Should a general meeting of the Company is required to be held for the Shareholders to consider and, if thought fit, approve the Acquisition, the Directors are of the opinion that, having considered the factors and reasons set out in the section headed "10. Reasons and Benefits for the Acquisition", the Acquisition is in the interests of the Group and the Shareholders as a whole and that the terms of the Acquisition are fair and reasonable so far as the Group and the Shareholders are concerned. The Board would recommend the Shareholders to vote in favour of the resolution approving the Acquisition should a general meeting of the Company is required to be held to approve the Acquisition.

13. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the board of directors of
Yuexiu Transport Infrastructure Limited
Zhu Chunxiu
Chairman

17 December 2014

The Listing Division
The Stock Exchange of Hong Kong Limited
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Major Transaction

We refer to the valuation report dated 17 December 2014 prepared by Greater China Appraisal Limited ("Valuer") in relation to the valuation of the fair value of 70% equity interest in Hubei Suiyuenan Expressway Company Limited* (湖北隨岳南高速公路有限公司), a company established in the PRC, as at 31 August 2014 (the "Valuation"). The Valuation, which is prepared based on discounted cash flow method, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountant, PricewaterhouseCoopers, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
Yuexiu Transport Infrastructure Limited
ZHU Chunxiu
Chairman

* *For identification purpose only*

The report below is reproduction of a report dated 17 December 2014 previously issued by PricewaterhouseCoopers, the reporting accountant, on the calculations for the discounted future estimated cash flows on which a business valuation is based, for the purpose of inclusion in the announcement of the Company on the same date ("Announcement") pursuant to Rule 14.62(2) of the Listing Rules. The report contains a reference to the bases and assumptions determined by the directors as set out in the section headed "Fair Value of the Sale Interest" of the Announcement and a business valuation. The information set out under the section "Fair Value of the Sale Interest" of the Announcement is reproduced under the section "Fair Value of the Sale Interest" of the letter from the Board in this Circular and the business valuation is set out in Appendix VI of this circular.

pwc 羅兵咸永道

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 湖北隨岳南高速公路有限公司

TO THE BOARD OF DIRECTORS OF YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 17 December 2014 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of the 70% equity interests in 湖北隨岳南高速公路有限公司 (Hubei Suiyuenan Expressway Company Limited*) (the "Target Company") is based. The Valuation is set out in the announcement of Yuexiu Transport Infrastructure Limited (the "Company") dated 17 December 2014 (the "Announcement") in connection with the acquisition of a 70% equity interest in the Target Company by 越秀(中國)交通基建投資有限公司 (Yuexiu (China) Transport Infrastructure Investment Company Limited*), a wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and

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as set out in the section headed "Fair Value of the Sale Interest" of the Announcement with details set out in the relevant valuation report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the section headed "Fair Value of the Sale Interest" of the Announcement with details set out in the relevant valuation report. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the section headed "Fair Value of the Sale Interest" of the Announcement with details set out in the relevant valuation report.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 December 2014

** For identification purpose only.*

Note:

Unless otherwise specified, figures in respect of the 8 months ended 31 August 2013 contained in this Appendix were made on an unaudited basis

The Target Company (together with its subsidiaries, the "**Target Group**") is principally engaged in the investment, operation and management of the Suiyuenan Expressway.

Upon completion of the Transfer Agreement, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company as a non wholly-owned subsidiary of the Company.

Operating Results

The financial information of the Target Group for the three years ended 31 December 2011, 2012, 2013 and the eight months ended 31 August 2014 ("**Reporting Period**") prepared in accordance with HKFRS are set out in Appendix IV.

The following table sets forth the Target Group's key operating results figures during the Reporting Period:

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	197,254	312,581	405,355	258,295	307,615
Cost of services	(83,693)	(124,981)	(152,478)	(96,596)	(114,451)
Construction income under service concession upgrade services	48,544	31,578	950	950	2,142
Construction cost under service concession upgrade services	(48,544)	(31,578)	(950)	(950)	(2,142)
Other income, gains and losses - net	1,342	15,888	6,361	1,620	6,029
General and administrative expenses	(52,030)	(41,180)	(14,784)	(9,566)	(7,639)
Operating profit	62,873	162,308	244,454	153,753	191,554
Finance income	4,456	426	396	240	238
Finance costs	(241,602)	(262,362)	(275,322)	(186,519)	(180,691)

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss) / profit before income tax	(174,273)	(99,628)	(30,472)	(32,526)	11,101
Income tax expense	—	—	—	—	—
(Loss) / profit for the year/period	(174,273)	(99,628)	(30,472)	(32,526)	11,101
Attributable to:					
Shareholders of the Target Group	(174,272)	(99,627)	(30,472)	(32,526)	11,101
Non-controlling interest	(1)	(1)	—	—	—
	(174,273)	(99,628)	(30,472)	(32,526)	11,101

Revenue

The Target Group's revenue consisted solely of revenues from toll highway project, namely the Suiyuenan Expressway, in the PRC. The toll collection of the Suiyuenan Expressway commenced in March 2010. The Target Group's revenue:

(a) increased by approximately 19.09% to RMB307.6 million for the eight months ended 31 August 2014 compared to RMB258.3 million for the eight months ended 31 August 2013;

(b) increased by approximately 29.69% to RMB405.4 million in 2013 compared to RMB312.6 million in 2012; and

(c) increased by approximately 58.44% to RMB312.6 million in 2012 compared to RMB197.3 million in 2011.

The increases in revenue in each of the period referred to above were all primarily due to increase in traffic in the Suiyuenan Expressway.

Traffic volume

The traffic volume of the Suiyuenan Expressway:

(a) increased by approximately 19.44% to 2,399,695 vehicles for the eight months ended 31 August 2014 compared to 2,009,180 vehicles for the eight months ended 31 August 2013;

(b) increased by approximately 27.76% to 3,009,366 vehicles in 2013 compared to 2,355,427 vehicles in 2012; and

(c) increased by approximately 60.94% to 2,355,427 vehicles in 2012 compared to 1,463,525 vehicles in 2011.

The increases in traffic volume in each of the period referred to above were all primarily due to the improvement of expressway networks, the Suiyuenan Expressway became more well-known and the development of economy which created more traffic.

Cost of Services and General and Administrative Expense

The Target Group's cost of services and general and administrative expenses primarily include business tax, amortisation of intangible operating right, depreciation of property, plant and equipment, toll highway maintenance and operating expenses and staff costs. For the three years ended 31 December 2011, 2012, 2013 and the eight months ended 31 August 2014, the Target Group's cost of services and general and administrative expenses were RMB135.7 million, RMB166.2 million, RMB167.3 million and RMB122.1 million, respectively.

The Target Group's total cost of services and general and administrative expenses:

(a) increased by approximately 15.0% to RMB122.1 million for the eight months ended 31 August 2014 compared to RMB106.2 million for the eight months ended 31 August 2013;

(b) increased by approximately 0.66% to RMB167.3 million in 2013 compared to RMB166.2 million in 2012; and

(c) increased by approximately 22.5% to RMB166.2 million in 2012 compared to RMB135.7 million in 2011.

Finance income/costs

The finance income/costs of the Target Group comprised primarily of bank interest income, and interest expense in relation to bank borrowings. For the three years ended 31 December 2011, 2012, 2013 and the eight months ended 31 August 2014, the Target Group's finance income were RMB4.46 million, RMB0.43 million, RMB0.40 million and RMB0.24 million, respectively while the Target Group's finance costs were RMB241.6 million, RMB262.4 million, RMB275.3 million and RMB180.7 million, respectively for the same periods.

The Target Group's finance costs net of finance income:

(a) decreased by approximately 3.11% to RMB180.5 million for the eight months ended 31 August 2014 compared to RMB186.3 million for the eight months ended 31 August 2013 primarily due to repayment of borrowings and decrease in interest paid;

(b) increased by approximately 4.96% to RMB274.9 million in 2013 compared to RMB261.9 million in 2012 primarily due to increase in both borrowings and interest paid; and

(c) increased by approximately 10.5% to RMB261.9 million in 2012 compared to RMB237.1 million in 2011 primarily due to increase in borrowings and interest paid.

Profit/loss Before Taxation

(a) The Target Group recorded a profit before income tax of RMB11.1 million for the eight months ended 31 August 2014 as compared to a loss before income tax of RMB32.5 million for the eight months ended 31 August 2013.

(b) The Target Group's loss before income tax decreased by approximately 69.4% to RMB30.5 million in 2013 compared to RMB99.6 million in 2012.

(c) The Target Group's loss before income tax decreased by approximately 42.9% to RMB99.6 million in 2012 compared to RMB174.3 million in 2011.

The changes in profit/loss in each of the period referred to above were all primarily due to increases in traffic and the consequential increases in toll fees received.

Income tax expense

During the Reporting Period, corporate income tax was provided on the assessable profits of the Target Group in accordance with the Enterprise Income Tax Law of PRC. There were no income tax expenses during the Reporting Period.

Capital Resources and Liquidity

Cash and cash equivalents

The Target Group financed its working capital requirements primarily through a combination of revenue from operation and bank borrowings.

As at 31 December 2011, 2012 and 2013 and 31 August 2014, the Target Group had cash and cash equivalents amounted to RMB5.48 million, RMB232.2 million, RMB63.6 million and RMB63.5 million, respectively. All the cash and cash equivalents held by the Target Group were denominated in RMB.

Borrowings

The Target Group had total long-term borrowings less amounts due within one year shown under current liabilities of RMB2,982.9 million, RMB3,190.8 million, RMB3,412.7 million and RMB3,366.9 million as at 31 December 2011, 2012 and 2013 and 31 August 2014, respectively. The borrowings were denominated in RMB. The effective interest rates of these borrowings for the years ended 31 December 2011, 2012 and 2013 and for the eight months ended 31 August 2014 were 7.1%, 6.63%, 6.64% and 6.76% respectively. The exposure of the Target Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year.

As at the LPD, the toll collection right of the Suiyuenan Expressway was subject to a pledge in favour of several banks and financial institutions (collectively the "**Original Lenders**") to secure a loan facility in the principal amount of up to RMB2,992,000,000 in principal amounts ("**Original Syndicated Loans**") granted by the Original Lenders to the Target Company available for drawdown during the period from 30 November 2006 to 29 November 2026 (both days inclusive). The purpose of the Original Syndicated Loans was to finance the construction of the Suiyuenan Expressway. The interest rate of the Original Syndicated Loans is the lending rate quoted by the PBOC for lending on the same period and is subject to a change per annum. The changed interest rate shall be the lending rate quoted by the PBOC in respect of the same period.

The pledge over the toll collection right of the Suiyuenan Expressway is also applied to secure a loan facility in the principal amount of up to RMB511,380,000 granted by the Original Lenders together with a new lender available for drawdown during the period from 28 December 2012 to 29 November 2026 (both days inclusive) ("**Additional Syndicated Loans**"). The purpose of the Additional Syndicated Loans was to finance the construction of the Suiyuenan Expressway. The interest rate applicable to the first drawdown of the Additional Syndicated Loans was 7.205% subject to an annual change. The changed interest rate shall be 10% above the lending rate quoted by the PBOC in respect of the same period.

The expected annual interest expenses in relation to the Syndicated Loans and the Additional Syndicated Loans are RMB240 million for the year ended 31 December 2014. It is expected that the Enlarged Group will finance the repayment of the principal and interest of the borrowings primarily by its revenue from the Suiyuenan Expressway.

Gearing ratio

Consistent with others in the industry, the Target Group monitors the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet contained in the Accountant's Report on the Target Group set out in Appendix IV to this circular) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet contained in the Accountant's Report on the Target Group set out in Appendix IV to this circular, plus net debt. As at 31 December 2011, 2012 and 2013 and 31 August 2014, the gearing ratio of the Target Group was 93%, 76%, 77% and 77%, respectively.

Foreign exchange risk

The Target Group conducts it business in the PRC and all transactions are denominated in RMB, therefore, it has no foreign exchange risk exposure.

Contingent Liabilities

The Target Group has contingent liabilities in relation to Wenzhou Communications as disclosed in the section headed "Letter from the Board — 2. Transfer Agreement — (h) Vendors' Undertakings" in this circular and note 23 of the Accountant's Report.

Employee and Remuneration Policies

As at 31 August 2014, the Target Group had approximately 160 employees based in the PRC. Staff costs for the three years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 were RMB13.1 million, RMB15.1 million, RMB14.9 million and RMB11.0 million, respectively, which comprised of wages and salaries, pension costs and staff welfare.

The Target Group is required to participate in defined contribution retirement plans organised by the Provincial or Municipal People's Government, and makes monthly contributions to the retirement plans equivalent to 20% of the monthly salaries of the employees or 12% of the preceding year's local monthly average wage, whichever is lower.

The remuneration policy of the Target Group considers its own human resources policy, market circumstances and the overall qualities of employees taking into account the requirements of the positions concerned and making the best use of the individual capabilities of each employee.

Amounts due to, and from, related parties

As disclosed in note 25(b) of the Accountant's Report on the Target Group set out in Appendix IV to this circular, the Target Company had amounts due to related parties and amounts due from the related parties during the Reporting Period. Pursuant to the Transfer Agreement, the Vendors had undertaken to the Purchaser that all the amounts due to the Vendors, the companies owned or controlled by the controlling shareholders of the Vendors or such persons that the Purchaser reasonably considers to be related to the Vendors from the Target Company and vice versa will be settled before the Completion Date (except the amounts which Vendor A will owe to the Target Company pursuant to the Novation and Repayment Agreement).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There was no major acquisition or disposal by the Target Group during the Reporting Period except that the Target Company's subsidiary, namely Wuhan Bai Fa Bai Zhong Advertising Company Limited* (武漢市百發百中廣告有限公司), was liquidated in December 2012.

Segment Information

Toll highway segment was the sole operating segment of the Target Group.

Significant Investment

There were no significant investment by the Target Group during the Reporting Period.

Future plans for Material Investments

As of the LPD, the Target Group did not have any future plans for material investments or capital assets and their expected sources of funding in the coming year.

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

羅兵咸永道

21 January 2015

The Directors
Yuexiu Transport Infrastructure Limited

Dear Sirs,

We report on the financial information of 湖北隨岳南高速公路有限公司 (Hubei Suiyuenan Expressway Company Limited, the "**Target**") and its subsidiary (together, the "**Target Group**"), which comprises the consolidated and company balance sheets of the Target as at 31 December 2011, 2012 and 2013 and 31 August 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target for each of the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2014 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Yuexiu Transport Infrastructure Limited (the "**Company**") and is set out in Sections I to II below for inclusion in Appendix IV to the circular of the Company dated 21 January 2015 (the "**Circular**") in connection with the proposed acquisition of the Target by the Company.

The Target was incorporated in the People's Republic of China (the "**PRC**") on 26 September 2003 as a limited liability company under the Company Law of the PRC.

During the Relevant Periods, the Target had direct and indirect interests in a subsidiary as set out in Note 14 of Section I below.

The financial statements of the Target and its subsidiary for each of the years ended 31 December 2011, 2012 and 2013 were audited by 立信會計師事務所(特殊普通合夥)廣東分所.

The directors of the Target are responsible for the preparation of the consolidated financial statements of the Target for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"), and for such internal control as the directors determine is necessary to enable the preparation of the

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Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "**HKSA**") issued by the HKICPA pursuant to separate terms of engagement with the Target.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "**Group**") as set out in the annual report of the Group for the year ended 31 December 2013 and the interim report of the Group for the period ended 30 June 2014.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target and of the Target Group as at 31 December 2011, 2012 and 2013 and 31 August 2014 and of the Target Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IV to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target for the eight months ended 31 August 2013 and a summary of significant accounting policies and other explanatory information (the "**Stub Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section I below and the accounting policies adopted by the Group as set out in the annual report of the Group for the year ended 31 December 2013 and the interim report of the Group for the period ended 30 June 2014.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section I below.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and 31 August 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the eight months ended 31 August 2013 and 2014 (the "Financial Information"):

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Eight months ended 31 August	
	Note	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	197,254	312,581	405,355	258,295	307,615
Cost of services	7	(83,693)	(124,981)	(152,478)	(96,596)	(114,451)
Construction income under service concession upgrade services	9	48,544	31,578	950	950	2,142
Construction cost under service concession upgrade services	9	(48,544)	(31,578)	(950)	(950)	(2,142)
Other income, gains and losses - net	6	1,342	15,888	6,361	1,620	6,029
General and administrative expenses	7	(52,030)	(41,180)	(14,784)	(9,566)	(7,639)
Operating profit		62,873	162,308	244,454	153,753	191,554
Finance income	10	4,456	426	396	240	238
Finance costs	10	(241,602)	(262,362)	(275,322)	(186,519)	(180,691)
(Loss) / profit before income tax		(174,273)	(99,628)	(30,472)	(32,526)	11,101
Income tax expense	11	—	—	—	—	—
(Loss) / profit for the year/period		(174,273)	(99,628)	(30,472)	(32,526)	11,101

	Note	Year ended 31 December			Eight months ended 31 August	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Attributable to:						
Shareholders of the Target Group		(174,272)	(99,627)	(30,472)	(32,526)	11,101
Non-controlling interest		(1)	(1)	—	—	—
		(174,273)	(99,628)	(30,472)	(32,526)	11,101
(Loss) / profit for the year/period		(174,273)	(99,628)	(30,472)	(32,526)	11,101
Other comprehensive income						
Item that will not be reclassified subsequently to profit or loss						
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax		—	—	—	—	3,045
Total comprehensive (loss) / income for the year/period		(174,273)	(99,628)	(30,472)	(32,526)	14,146
Total comprehensive (loss) / income attributable to:						
Shareholders of the Target Group		(174,272)	(99,627)	(30,472)	(32,526)	14,146
Non-controlling interest		(1)	(1)	—	—	—
		(174,273)	(99,628)	(30,472)	(32,526)	14,146

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 31 August
	Note	**2011**	**2012**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Intangible operating rights	12	4,953,872	4,925,832	4,854,487	4,798,875
Property, plant and equipment	13	15,523	13,002	12,645	9,316
Investment properties	17	—	—	—	6,230
		4,969,395	4,938,834	4,867,132	4,814,421
Current assets					
Trade receivables	15	4,519	5,371	8,417	8,184
Other receivables, deposits and prepayments	15	8,580	8,010	6,797	6,870
Amount due from the immediate holding company	25	24,915	24,908	24,901	25,344
Amounts due from related companies	25	50,743	102,696	94,082	372,593
Amount due from the ultimate holding company	25	—	162,719	170,719	31,719
Restricted bank deposits	16	15,000	—	—	—
Cash and cash equivalents	16	5,475	232,163	63,622	63,463
		109,232	535,867	368,538	508,173
Total assets		5,078,627	5,474,701	5,235,670	5,322,594
EQUITY					
Equity attributable to the shareholders of the Target Group					
Paid-in capital	18	800,000	1,770,000	1,770,000	1,770,000
Revaluation reserve		—	—	—	3,045
Accumulated losses		(521,658)	(621,285)	(651,757)	(640,656)
		278,342	1,148,715	1,118,243	1,132,389
Non-controlling interest		199	—	—	—
Total equity		278,541	1,148,715	1,118,243	1,132,389

	Note	As at 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	As at 31 August 2014 RMB'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	19	2,982,880	3,190,839	3,412,738	3,366,878
Deferred income	20	97,842	94,246	90,650	88,256
		3,080,722	3,285,085	3,503,388	3,455,134
Current liabilities					
Short-term borrowings	19	496,129	450,908	400,807	304,667
Current portion of long-term borrowings	19	10,950	18,010	72,158	125,267
Deferred income	20	6,156	6,146	6,146	3,879
Amounts due to related companies	25	210,796	251,588	46,985	246,182
Amount due to the ultimate holding company	25	532,454	—	—	—
Other payables and accrued charges	21	462,879	314,249	87,943	55,076
		1,719,364	1,040,901	614,039	735,071
Total liabilities		4,800,086	4,325,986	4,117,427	4,190,205
Total equity and liabilities		5,078,627	5,474,701	5,235,670	5,322,594
Net current liabilities		(1,610,132)	(505,034)	(245,501)	(226,898)
Total assets less current liabilities		3,359,263	4,433,800	4,621,631	4,587,523

BALANCE SHEETS

	Note	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 August 2014 RMB'000
ASSETS					
Non-current assets					
Intangible operating rights	12	4,953,872	4,925,832	4,854,487	4,798,875
Property, plant and equipment	13	15,327	13,002	12,645	9,316
Investment properties	17	—	—	—	6,230
Investment in a subsidiary	14	9,800	—	—	—
		4,978,999	4,938,834	4,867,132	4,814,421
Current assets					
Trade receivables	15	4,519	5,371	8,417	8,184
Other receivables, deposits and prepayments	15	8,580	8,010	6,797	6,870
Amount due from the immediate holding company	25	24,915	24,908	24,901	25,344
Amounts due from related companies	25	50,743	102,696	94,082	372,593
Amount due from the ultimate holding company	25	—	162,719	170,719	31,719
Restricted bank deposits	16	15,000	—	—	—
Cash and cash equivalents	16	5,430	232,163	63,622	63,463
		109,187	535,867	368,538	508,173
Total assets		5,088,186	5,474,701	5,235,670	5,322,594
EQUITY					
Equity attributable to the shareholders of the Target					
Paid-in capital	18	800,000	1,770,000	1,770,000	1,770,000
Revaluation reserve		—	—	—	3,045
Accumulated losses		(521,600)	(621,285)	(651,757)	(640,656)
Total equity		278,400	1,148,715	1,118,243	1,132,389

	Note	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 August 2014 RMB'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	19	2,982,880	3,190,839	3,412,738	3,366,878
Deferred income	20	97,842	94,246	90,650	88,256
		3,080,722	3,285,085	3,503,388	3,455,134
Current liabilities					
Short-term borrowings	19	496,129	450,908	400,807	304,667
Current portion of long-term borrowings	19	10,950	18,010	72,158	125,267
Deferred income	20	6,156	6,146	6,146	3,879
Amount due to a subsidiary	14	19,700	—	—	—
Amounts due to related companies	25	200,796	251,588	46,985	246,182
Amount due to the ultimate holding company	25	532,454	—	—	—
Other payables and accrued charges	21	462,879	314,249	87,943	55,076
		1,729,064	1,040,901	614,039	735,071
Total liabilities		4,809,786	4,325,986	4,117,427	4,190,205
Total equity and liabilities		5,088,186	5,474,701	5,235,670	5,322,594
Net current liabilities		(1,619,877)	(505,034)	(245,501)	(226,898)
Total assets less current liabilities		3,359,122	4,433,800	4,621,631	4,587,523

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Target Group				
	Paid-in capital	**Revaluation reserve**	**Accumulated losses**	**Non-controlling interest**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	800,000	—	(347,386)	200	452,814
Loss for the year	—	—	(174,272)	(1)	(174,273)
Balance at 31 December 2011 and 1 January 2012	800,000	—	(521,658)	199	278,541
Issue of paid-in capital (note 18)	970,000	—	—	—	970,000
Loss for the year	—	—	(99,627)	(1)	(99,628)
Liquidation of a subsidiary	—	—	—	(198)	(198)
Balance at 31 December 2012 and 1 January 2013	1,770,000	—	(621,285)	—	1,148,715
Loss for the year	—	—	(30,472)	—	(30,472)
Balance at 31 December 2013 and 1 January 2014	1,770,000	—	(651,757)	—	1,118,243
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	—	3,045	—	—	3,045
Profit for the period	—	—	11,101	—	11,101
Balance at 31 August 2014	1,770,000	3,045	(640,656)	—	1,132,389
Balance at 31 December 2012 and 1 January 2013	1,770,000	—	(621,285)	—	1,148,715
Loss for the period (Unaudited)	—	—	(32,526)	—	(32,526)
Balance at 31 August 2013 (Unaudited)	1,770,000	—	(653,811)	—	1,116,189

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Eight months ended 31 August 2013 RMB'000 (Unaudited)	2014 RMB'000
Cash flows from operating activities						
Cash generated from operations and net cash generated from operating activities	22	101,907	357,450	326,616	186,023	101,576
Cash flows from investing activities						
Payments for construction costs of toll highway and service concession upgrading services		(105,649)	(161,069)	(239,683)	(217,667)	(21,555)
Proceeds from disposal of property, plant and equipment		—	—	—	—	21
Purchase of property, plant and equipment		(2,362)	(347)	(1,891)	(656)	(1,628)
Restricted bank deposits		35,000	15,000	—	—	—
Interest received		4,456	426	396	240	238
Net cash used in investing activities		(68,555)	(145,990)	(241,178)	(218,083)	(22,924)

	Note	Year ended 31 December			Eight months ended 31 August	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from financing activities						
Proceeds from bank borrowings		510,000	675,000	686,380	686,380	300,000
Repayment of bank borrowings		(817,280)	(499,560)	(462,400)	(456,700)	(432,420)
Payment of bank facility fees		—	—	—	—	(5,000)
Proceeds of loans from related companies		60,000	154,000	—	—	—
Repayment of loans from related companies		(40,000)	(93,000)	(121,000)	(121,000)	—
Repayment of loans from a third party		(40,000)	—	—	—	—
Interest paid		(241,107)	(263,004)	(273,356)	(140,917)	(137,162)
Amount due to the ultimate holding company		417,000	—	—	—	—
Amounts due to related companies		116,330	(20,208)	(83,603)	(70,089)	195,771
Issue of paid-in capital		—	62,000	—	—	—
Net cash (used in)/ from financing activities		(35,057)	15,228	(253,979)	(102,326)	(78,811)
Net (decrease)/increase in cash and cash equivalents		(1,705)	226,688	(168,541)	(134,386)	(159)
Cash and cash equivalents at beginning of the year/period		7,180	5,475	232,163	232,163	63,622
Cash and cash equivalents at end of the year/period		5,475	232,163	63,622	97,777	63,463
Analysis of cash and cash equivalents						
Bank balances and cash		5,475	232,163	63,622	97,777	63,463

NOTES TO THE FINANCIAL INFORMATION

1 General information

Hubei Suiyuenan Expressway Company Limited* and its subsidiary (together the "Target Group") are principally engaged in investment in and development, operation and management of Hubei Suiyuenan Expressway in Hubei Province in the People's Republic of China (the "PRC").

The Target was incorporated under the Company Law of the PRC. The address of its registered office and its principal place of business in the PRC is 中華人民共和國湖北省武漢市漢陽區經濟技術開發區東風三路5號東合中心B座16樓 (16th Floor, Tower B, Donghe Center, No.5 Dongfeng 3rd Road, Economic & Technological Development Zone, Hanyang District, Wuhan City, Hubei Province, the PRC). The Target is a 98.6441% owned subsidiary of 百榮投資控股集團有限公司 ("百榮投資") and the remaining interests are owned by 百榮世貿商城管理有限公司 ("百榮世貿"). The Target's Directors regard 百榮投資 as its ultimate holding company.

The Financial Information is presented in Renminbi ("RMB") thousand dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

(a) *Basis of preparation*

The Financial Information of the Target Group has been prepared in accordance with HKFRS issued by the HKICPA. It has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

As at 31 December 2011, 2012 and 2013 and 31 August 2014, the Target Group had net current liabilities of RMB1,610,132,000, RMB505,034,000, RMB245,501,000 and RMB226,898,000 respectively. Management of the Target Group is confident that the Target Group is able to refinance certain short-term bank borrowings. In addition, 百榮投資, the ultimate holding company, and 百榮世貿, the immediate holding company, have agreed to provide financial support to the Target Group so as to enable the Target Group to meet its liabilities as and when

* *For identification purpose*

they fall due and carry on its business without a significant curtailment of operations up to the completion of the proposed acquisition of the Target by the Company (the "Transaction"). Upon the completion of Transaction, the Company will provide financial support to the Target Group up to the next twelve months from the date of this Circular so as to enable it to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations. Under these circumstances, the Directors of the Company believe that the Target Group will continue as a going concern. Consequently, the Financial Information has been prepared on a going concern basis.

New standards and amendments

The following new standards and amendments relevant to the Target Group's operations have been issued and are effective for the financial year beginning 1 January 2015 or after and have not been early adopted:

		Effective for accounting periods beginning on or after
HKASs and HKFRSs	Annual Improvements 2011-2013 Cycle	1 July 2014
HKASs and HKFRSs	Annual Improvements 2012-2014 Cycle	1 July 2016
HKAS 16 and HKAS 38 (amendment)	Methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Property, plant and equipment and Agriculture regarding bearer plants	1 January 2016
HKAS 27 (amendment)	Separate Financial Statements - Equity Method	1 January 2016
HKAS 28 (amendment)	Sale or Contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017

Management is in the process of making an assessment of the impact of these new standards and amendments and is not yet in a position to state whether they would have a significant impact on the Target Group's results of operations and financial position.

(b) ***Consolidation***

(i) *Subsidiary*

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Target Group. It is deconsolidated from the date that control ceases.

The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling share of the recognised amounts of acquiree's identifiable interest's proportionate net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiary have been adjusted to conform with the Target Group's accounting policies.

(ii) *Disposal of subsidiary*

When the Target Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Separate financial statements*

Investment in a subsidiary is accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The result of subsidiary is accounted for by the Target on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving dividends from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) ***Foreign currency translation***

(i) *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Financial Information is presented in RMB, which is the Target's functional currency and Target Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other income, gains and losses - net'.

(d) ***Intangible operating rights***

The Target Group has been granted by the relevant local government authority the rights to operate the toll highway for a period of 30 years. According to the approval documents of the relevant government and the relevant regulations, the Target Group is responsible for the construction of the toll highway and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highway during the approved operating period. The toll fees collected during the operating period are attributable to the Target. The relevant toll highway assets are required to be returned to the local government authority upon the expiry of the operating rights without any compensation to the Target. According to the relevant regulations, these operating rights are not renewable and the Target does not have any termination options.

The Target applies the intangible asset model to account for the toll highway infrastructure where they are paid by the users of the toll highway. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible asset correspond to the right granted by the respective concession grantor to the Target to charge users of the toll road services and are recorded in the consolidated balance sheets as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off its cost on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Target reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

(e) ***Property, plant and equipment***

Buildings comprise offices and staff quarters. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	5 years
Furniture, fittings and equipment	5 years
Motor vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income, gains and losses - net' in the consolidated statements of comprehensive income.

(f) ***Impairment of non-financial assets***

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) ***Financial assets***

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise "trade receivables", "other receivables and deposits", "amount due from the immediate holding company", "amounts due from related companies", "amount due from the ultimate holding company", "restricted bank deposits" and "cash and cash equivalents" in the consolidated balance sheets.

(h) ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(i) ***Cash and cash equivalents***

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

(j) ***Paid-in capital***

Paid-in capital is classified as equity.

(k) ***Other payables***

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(l) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are capitalised when funds are borrowed to finance the construction of highway up to the commencement of economic operations of the toll highway.

All other borrowing costs are charged to the consolidated statements of comprehensive income in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) ***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target's subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) ***Provisions***

Provisions are recognised when: the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

(p) ***Retirement benefit costs***

The Target Group participates in the municipal retirement schemes which are organised by the local government authorities in the PRC. The schemes are defined contribution plans, under which the Target Group pays fixed contributions to the local social security administration bureaus and the Target Group has no legal or constructive obligations to pay further contributions if the bureaus do not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the schemes by the Target Group are calculated as a percentage of employees' basic salaries, subject to a certain ceiling.

The Target Group pays contributions to the schemes on a mandatory basis and the contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(q) ***Revenue recognition***

(i) Toll revenue is recognised on a receipt basis.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Income from service areas and advertisement are recognised in the consolidated statements of comprehensive income on a straight-line basis over the term of the lease or toll operating right period. Income received in advance is recognised as deferred income in the consolidated balance sheet.

(iv) Construction income generated from construction and upgrade services rendering by the Target Group is recognised under the percentage of completion method. The stage of completion is measured on the basis of contract costs incurred up to the balance sheet date as a percentage to the total estimated cost to be incurred for each contract.

(r) ***Financial guarantee contract***

A financial guarantee contract is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, related companies and third parties to secure loans, overdrafts and other banking facilities.

The Target Group regards its financial guarantees provided to its related companies as insurance contracts. The Target Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated statements of comprehensive income.

(s) ***Investment properties***

Investment properties, principally comprising leasehold land and office buildings, are held for long-term rental yields and are not occupied by the Target Group. Investment properties are initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value determined by professional qualified valuers on an open market basis at the end of each reporting period.

Changes in fair values are recorded in the consolidated statements of comprehensive income as "Other income, gains and losses — net".

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognised in the consolidated statements of comprehensive income.

3 **Financial risk management**

3.1 ***Financial risk factors***

The Target Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The Target Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Market risk*

Cash flow and fair value interest rate risk

Besides cash and cash equivalents, the interest rate risk of which is considered immaterial, the Target Group has no significant interest-bearing assets, the Target Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Target Group's interest rate risk arises from long-term borrowings, short-term borrowings and amounts due to related companies (collectively the "Interest Bearing Liabilities"). Interest Bearing Liabilities are primarily issued at variable rates and therefore expose the Target Group to cash flow interest rate risk.

As at 31 December 2011, 2012 and 2013, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax losses for the years would have been increased/decreased by approximately RMB18,530,000, RMB18,291,000 and RMB19,128,000 respectively. As at 31 August 2014, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period would have been decreased/increased by approximately RMB19,056,000.

(b) *Credit risk*

The Target Group and Target have no significant concentrations of credit risk, except for the amount due from the immediate holding company. The carrying amounts of cash and cash equivalents, trade receivables, other receivables, amounts due from the immediate holding company, the ultimate holding company and related companies included in the consolidated balance sheets represent the Target Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks in PRC, management considers these balances are subject to low credit risk. Amounts due from the immediate holding company, the ultimate holding company and related companies are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial positions, past experience and other factors. Where necessary, impairment loss will be made for estimated irrecoverable amounts. The amounts due from the immediate holding company, the ultimate holding company and related companies have no history of default. Therefore, management perceives that the credit risk of receivables from group entities is low. The credit risk for trade and other receivables is minimal as the Target Group's revenue is generally settled in cash and it usually does not maintain material accounts receivable balances.

(c) *Liquidity risk*

The Target Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Target Group can meet its short-term and long-term funding requirements.

Management monitors rolling forecasts of the Target's Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Target Group's liquidity management policy involves projecting cashflows and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal requirements; and maintaining debt financing plans.

Management of the Target Group is confident that the Target Group is able to refinance certain short-term bank borrowings. In addition, 百榮投資, the ultimate holding company, and 百榮世貿, the immediate holding company, have agreed to provide financial support to the Target Group so as to enable the Target Group to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations up to the completion of the Transaction. Upon the completion of Transaction, the Company will provide financial support to the Target

Group up to the next twelve months from the date of this Circular so as to enable it to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations. Under these circumstances, the Directors of the Company believe that the Target Group will continue as a going concern.

The table below analyses the Target Group's and Target's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Target Group

	On demand	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011						
Long-term borrowings	—	222,024	221,400	897,924	3,753,992	5,095,340
Short-term borrowings	—	509,969	—	—	—	509,969
Amounts due to related companies	150,796	62,747	—	—	—	213,543
Amount due to the ultimate holding company	532,454	—	—	—	—	532,454
Other payables and accrued charges	—	436,351	—	—	—	436,351
	683,250	1,231,091	221,400	897,924	3,753,992	6,787,657
As at 31 December 2012						
Long-term borrowings	—	229,101	273,556	990,104	3,667,708	5,160,469
Short-term borrowings	—	462,080	—	—	—	462,080
Amounts due to related companies	130,588	124,971	—	—	—	255,559
Other payables and accrued charges	—	295,930	—	—	—	295,930
	130,588	1,112,082	273,556	990,104	3,667,708	6,174,038

	On demand	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013						
Long-term borrowings	—	302,372	317,148	1,138,263	3,688,642	5,446,425
Short-term borrowings	—	410,101	—	—	—	410,101
Amounts due to related companies	46,985	—	—	—	—	46,985
Other payables and accrued charges	—	57,871	—	—	—	57,871
	46,985	770,344	317,148	1,138,263	3,688,642	5,961,382
As at 31 August 2014						
Long-term borrowings	—	343,155	345,349	1,159,900	3,451,572	5,299,976
Short-term borrowings	—	321,105	—	—	—	321,105
Amounts due to related companies	246,182	—	—	—	—	246,182
Other payables and accrued charges	—	30,770	—	—	—	30,770
	246,182	695,030	345,349	1,159,900	3,451,572	5,898,033

Target

	On demand	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011						
Long-term borrowings	—	222,024	221,400	897,924	3,753,992	5,095,340
Short-term borrowings	—	509,969	—	—	—	509,969
Amount due to a subsidiary	19,700	—	—	—	—	19,700
Amounts due to related companies	140,796	62,747	—	—	—	203,543
Amount due to the ultimate holding company	532,454	—	—	—	—	532,454
Other payables and accrued charges	—	436,351	—	—	—	436,351
	692,950	1,231,091	221,400	897,924	3,753,992	6,797,357
As at 31 December 2012						
Long-term borrowings	—	229,101	273,556	990,104	3,667,708	5,160,469
Short-term borrowings	—	462,080	—	—	—	462,080
Amounts due to related companies	130,588	124,971	—	—	—	255,559
Other payables and accrued charges	—	295,930	—	—	—	295,930
	130,588	1,112,082	273,556	990,104	3,667,708	6,174,038
As at 31 December 2013						
Long-term borrowings	—	302,372	317,148	1,138,263	3,688,642	5,446,425
Short-term borrowings	—	410,101	—	—	—	410,101
Amounts due to related companies	46,985	—	—	—	—	46,985
Other payables and accrued charges	—	57,871	—	—	—	57,871
	46,985	770,344	317,148	1,138,263	3,688,642	5,961,382

	On demand	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 August 2014						
Long-term borrowings	—	343,155	345,349	1,159,900	3,451,572	5,299,976
Short-term borrowings	—	321,105	—	—	—	321,105
Amounts due to related companies	246,182	—	—	—	—	246,182
Other payables and accrued charges	—	30,770	—	—	—	30,770
	246,182	695,030	345,349	1,159,900	3,451,572	5,898,033

3.2 ***Capital risk management***

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current borrowings, non-current borrowings and amounts due to related companies (interest bearing) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debt.

The gearing ratio is calculated as follows:

	As at 31 December			As at 31 August
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term borrowings	2,982,880	3,190,839	3,412,738	3,366,878
Current portion of long-term borrowings	10,950	18,010	72,158	125,267
Short-term borrowings	496,129	450,908	400,807	304,667
Amounts due to related companies (note 25)	60,000	121,000	—	—
Total debts	3,549,959	3,780,757	3,885,703	3,796,812
Less: cash and cash equivalents	(5,475)	(232,163)	(63,622)	(63,463)
Net debts	3,544,484	3,548,594	3,822,081	3,733,349
Equity attributable to the shareholders of the Target Group	278,342	1,148,715	1,118,243	1,132,389
Total capital	3,822,826	4,697,309	4,940,324	4,865,738
Gearing ratio	93%	76%	77%	77%

The decrease in gearing ratio as at 31 December 2012 was mainly attributable to the issue of paid-in capital of RMB970,000,000 during 2012.

3.3 ***Fair value estimation***

The carrying values of the Target Group's financial assets and liabilities are a reasonable approximation of their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates.

4 **Critical accounting estimates and judgements**

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

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) ***Amortisation of intangible operating rights***

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Target Group reviews regularly the projected total traffic volume throughout the life of the respective asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made in the future period should there be a material change.

At present, the range of annual traffic growth rates that have been projected for the toll highway is around 1% to 15%.

(b) ***Current income tax and deferred income tax***

The Target Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for income tax and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management exercises judgement in determining the future taxable profit based on the projected future traffic volume and specific circumstance of the toll highway. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

(c) ***Impairment of intangible operating rights***

The Target Group tests whether intangible operating rights have suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating rights belongs and a suitable discount rate in order to calculate the present value. The key assumptions in the value-in-use calculation are revenue growth rates and discount rates. When the intangible operating rights' carrying amounts exceed their value-in-use, the Target Group also determines the intangible operating rights' fair value less costs to sell to determine the intangible operating rights' recoverable amounts, which are the higher of their fair value less costs to sell and value-in-use. Based on the impairment assessment, there was no impairment relating to the intangible operating rights in the Relevant Periods.

(d) ***Fair value of investment properties***

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 17.

5 **Revenue and segment information**

The Target Group is engaged in the operation and management of toll highway in the PRC. Revenue recognised is as follows:

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Toll revenue	197,254	312,581	405,355	258,295	307,615

The chief operating decision-maker has been identified as the Executive Directors of the Target Group. The Executive Directors reviews the Target Group's internal reporting in order to assess performance of the Target Group's operating segment — Toll highway operation and management in the PRC. Toll highway segment represents the sole operating segment of the Target Group.

Internal reporting provided to the Target Group's Executive Directors is measured in a manner consistent with that in the Financial Information.

6 Other income, gains and losses — net

	Year ended 31 December			Eight months ended 31 August	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Income from service areas and advertisement, net	1,458	2,923	2,267	1,470	2,732
Compensation from a contractor relating to termination of construction contracts	—	—	3,850	—	—
Construction income for a service area along the toll highway	—	13,216	—	—	—
(Loss)/gain on disposal of property, plant and equipment	(134)	—	—	—	416
Write-off of aged payables	—	—	—	—	2,645
Others	18	(251)	244	150	236
	1,342	15,888	6,361	1,620	6,029

7 Expenses by nature

Expenses included in cost of services and general and administrative expenses are analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Business tax	5,402	8,558	11,106	7,071	8,433
Amortisation of intangible operating rights (note 12)	42,495	59,618	72,295	48,910	57,754
Depreciation of property, plant and equipment (note 13)	1,684	2,710	2,248	1,469	1,746
Toll highway maintenance expenses	2,883	12,769	15,902	6,456	9,047
Toll highway operating expenses	17,173	27,300	35,156	22,590	26,511
Staff costs (including Directors' emoluments) (note a)					
- Wages and salaries	10,320	11,961	11,726	7,848	9,284
- Pension costs (defined contribution plan)	1,135	1,242	1,284	884	999
- Staff welfare and other benefits	1,636	1,938	1,938	1,371	756
Auditor's remuneration	204	335	550	367	350
Management fee paid to the ultimate holding company (note b)	39,866	15,187	—	—	—

Notes:

a. The Target Group is required to participate in defined contribution retirement plans organised by the Provincial or Municipal People's Government, and make monthly contributions to the retirement plans equivalent to 20% of the monthly salaries of the employees or 12% of the preceding year's local monthly average wage, whichever is lower.

b. The terms of management fee were determined and agreed between the Target Group and its ultimate holding company. The transactions were disclosed in Related Party Transaction (Note 25).

8 Directors' and senior management's emoluments

The remuneration of each director and the senior management

For the year ended 31 December 2011

Name of directors	Salaries	Discretionary bonuses	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
DONG Mingfa	599	57	6	662
GAO Hualiang	355	28	—	383
JIANG Borong	—	—	—	—
	954	85	6	1,045

For the year ended 31 December 2012

Name of directors	Salaries	Discretionary bonuses	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
DONG Mingfa	597	59	12	668
GAO Hualiang	360	33	—	393
JIANG Borong	—	—	—	—
	957	92	12	1,061

For the year ended 31 December 2013

Name of directors	Salaries	Discretionary bonuses	Other benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
DONG Mingfa	623	59	12	694
GAO Hualiang	376	33	—	409
JIANG Borong	—	—	—	—
	999	92	12	1,103

For the period ended 31 August 2014

Name of directors	**Salaries**	**Discretionary bonuses**	**Other benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
DONG Mingfa	429	56	9	494
GAO Hualiang	262	34	—	296
JIANG Borong	—	—	—	—
	691	90	9	790

The five individuals whose emoluments were the highest in the Target Group for the Relevant Periods include two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the Relevant Periods are as follows:

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other benefits	712	722	757	493	576
Bonuses	56	65	65	43	56
	768	787	822	536	632

The emoluments fell within the following bands:

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
Emoluments bands					
Nil to HKD1,000,000	3	3	3	3	3

During the Relevant Periods, no directors or any of the five highest paid individuals received any emolument from the Target Group as an inducement to join, upon joining the Target Group, leave the Target Group or waived or has agreed to waive any emoluments as compensation for loss of office.

9 Construction income/(cost) under service concession upgrade services

The construction income/(cost) associated with the construction and upgrade services provided under the service concession recognised for the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Construction income of toll under service concession upgrade services	48,544	31,578	950	950	2,142
Construction cost of toll under service concession upgrade services	(48,544)	(31,578)	(950)	(950)	(2,142)
	—	—	—	—	—

10 Finance income/(costs)

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance income					
Bank interest income	4,456	426	396	240	238
Interest expenses and financing charges:					
- Bank borrowings	(224,876)	(247,262)	(264,555)	(176,774)	(174,691)
- Amounts due to related companies (note)	(16,726)	(15,100)	(10,408)	(9,505)	(5,760)
- Bank facility fees	—	—	(359)	(240)	(240)
Finance costs	(241,602)	(262,362)	(275,322)	(186,519)	(180,691)

Note: During the Relevant Periods, there were fund advances from related companies to the Target and certain interest expenses and financing charges in relation to these fund advances were charged to the Target by the related companies.

11 **Income tax expense**

During the years ended 31 December 2011, 2012, 2013 and eight months ended 31 August 2013 and 2014, corporate income tax was provided on the assessable profits of the Target Group in accordance with the Enterprise Income Tax Law of PRC.

The tax on the Target Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit before income tax	(174,273)	(99,628)	(30,472)	(32,526)	11,101
Calculated at a tax rate of 25%	(43,568)	(24,907)	(7,618)	(8,132)	2,775
Expenses not deductible for tax purposes	17,753	16,074	11,659	7,510	8,447
Temporary differences not recognised	11,688	(3,683)	(40,707)	(26,960)	(24,699)
Tax losses not recognised (note)	14,127	12,516	36,666	27,582	13,477
Income tax expenses	—	—	—	—	—

Note: Deferred income tax assets are recognised for deductible temporary differences and tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group considers realisation of the related tax benefit before the expiry of the tax losses is not probable as at 31 December 2011, 2012, 2013 and 31 August 2014.

The Target Group did not recognise deferred income tax assets of RMB84,011,000, RMB80,328,000, RMB39,621,000 and RMB14,922,000 as at 31 December 2011, 2012, 2013 and 31 August 2014 respectively for deductible temporary differences arisen from the intangible operating rights that can be carried forward for offsetting against future taxable income.

The Target Group did not recognise deferred income tax assets of RMB65,051,000, RMB77,539,000, RMB114,205,000 and RMB127,682,000 as at 31 December 2011, 2012, 2013 and 31 August 2014 respectively in respect of losses amounting to RMB260,202,000, RMB310,157,000, RMB456,821,000, RMB510,726,000 as at 31 December 2011, 2012, 2013 and 31 August 2014 respectively that can be carried forward for offsetting against future taxable income. Unused tax losses will expire within 5 years.

12 Intangible operating rights

Target Group and Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	4,947,823	4,953,872	4,925,832	4,854,487
Additions	48,544	31,578	950	2,142
Amortisation (Note 7)	(42,495)	(59,618)	(72,295)	(57,754)
Closing net book amount	4,953,872	4,925,832	4,854,487	4,798,875
Cost	5,011,786	5,043,364	5,044,314	5,046,456
Accumulated amortisation	(57,914)	(117,532)	(189,827)	(247,581)
Net book amount	4,953,872	4,925,832	4,854,487	4,798,875

Note: The operating right of the toll highway was pledged to secure the Target Group's bank borrowings as at each balance sheet date (note 19).

13 **Property, plant and equipment**

Target Group

	Buildings	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011					
Opening net book amount	8,253	—	2,711	3,867	14,831
Additions	13	160	1,372	965	2,510
Disposals	—	—	(134)	—	(134)
Depreciation	(397)	(5)	(623)	(659)	(1,684)
Closing net book amount	7,869	155	3,326	4,173	15,523
At 31 December 2011					
Cost	8,365	160	4,324	5,847	18,696
Accumulated depreciation	(496)	(5)	(998)	(1,674)	(3,173)
Net book amount	7,869	155	3,326	4,173	15,523
Year ended 31 December 2012					
Opening net book amount	7,869	155	3,326	4,173	15,523
Additions	—	—	199	148	347
Disposals	—	—	—	(158)	(158)
Depreciation	(405)	(30)	(708)	(1,567)	(2,710)
Closing net book amount	7,464	125	2,817	2,596	13,002
At 31 December 2012					
Cost	8,365	160	4,523	5,783	18,831
Accumulated depreciation	(901)	(35)	(1,706)	(3,187)	(5,829)
Net book amount	7,464	125	2,817	2,596	13,002

Target Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013					
Opening net book amount	7,464	125	2,817	2,596	13,002
Additions	—	—	1,891	—	1,891
Depreciation	(405)	(30)	(889)	(924)	(2,248)
Closing net book amount	7,059	95	3,819	1,672	12,645
At 31 December 2013					
Cost	8,365	160	6,414	5,783	20,722
Accumulated depreciation	(1,306)	(65)	(2,595)	(4,111)	(8,077)
Net book amount	7,059	95	3,819	1,672	12,645
Eight months ended 31 August 2014					
Opening net book amount	7,059	95	3,819	1,672	12,645
Additions	—	—	1,628	—	1,628
Disposal	—	—	(5)	(21)	(26)
Transfer to investment properties due to change of use	(3,185)	—	—	—	(3,185)
Depreciation	(195)	(20)	(856)	(675)	(1,746)
Closing net book amount	3,679	75	4,586	976	9,316
At 31 August 2014					
Cost	4,545	160	8,016	5,341	18,062
Accumulated depreciation	(866)	(85)	(3,430)	(4,365)	(8,746)
Net book amount	3,679	75	4,586	976	9,316

Target

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011					
Opening net book amount	8,253	—	2,711	3,867	14,831
Additions	13	160	1,372	753	2,298
Disposals	—	—	(134)	—	(134)
Depreciation	(397)	(5)	(623)	(643)	(1,668)
Closing net book amount	7,869	155	3,326	3,977	15,327
At 31 December 2011					
Cost	8,365	160	4,324	5,635	18,484
Accumulated depreciation	(496)	(5)	(998)	(1,658)	(3,157)
Net book amount	7,869	155	3,326	3,977	15,327
Year ended 31 December 2012					
Opening net book amount	7,869	155	3,326	3,977	15,327
Additions	—	—	199	148	347
Depreciation	(405)	(30)	(708)	(1,529)	(2,672)
Closing net book amount	7,464	125	2,817	2,596	13,002
At 31 December 2012					
Cost	8,365	160	4,523	5,783	18,831
Accumulated depreciation	(901)	(35)	(1,706)	(3,187)	(5,829)
Net book amount	7,464	125	2,817	2,596	13,002

Target

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013					
Opening net book amount	7,464	125	2,817	2,596	13,002
Additions	—	—	1,891	—	1,891
Depreciation	(405)	(30)	(889)	(924)	(2,248)
Closing net book amount	7,059	95	3,819	1,672	12,645
At 31 December 2013					
Cost	8,365	160	6,414	5,783	20,722
Accumulated depreciation	(1,306)	(65)	(2,595)	(4,111)	(8,077)
Net book amount	7,059	95	3,819	1,672	12,645
Eight months ended 31 August 2014					
Opening net book amount	7,059	95	3,819	1,672	12,645
Additions	—	—	1,628	—	1,628
Disposal	—	—	(5)	(21)	(26)
Transfer to investment properties due to change of use	(3,185)	—	—	—	(3,185)
Depreciation	(195)	(20)	(856)	(675)	(1,746)
Closing net book amount	3,679	75	4,586	976	9,316
At 31 August 2014					
Cost	4,545	160	8,016	5,341	18,062
Accumulated depreciation	(866)	(85)	(3,430)	(4,365)	(8,746)
Net book amount	3,679	75	4,586	976	9,316

Note: The properties with aggregate net book values of RMB7,869,000 and RMB7,464,000 as at 31 December 2011 and 2012 respectively were pledged to secure the amounts due to related companies (note 25).

14 **Investment in a subsidiary and amount due to a subsidiary**

(a) Investment in a subsidiary

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	9,800	—	—	—

Details of the subsidiary of the Target as at 31 December 2011 are stated below.

Name of subsidiary	Place of incorporation	Percentage of attributable interest held by the Target	Principal activity
武漢市百發百中廣告有限公司	PRC	98%	Provision of advertising services

On 12 December 2012, the Target's subsidiary was liquidated and resulted a loss of RMB2,000 recognised in the consolidated statements of comprehensive income.

(b) Amount due to a subsidiary

The amount due to a subsidiary as at 31 December 2011 was unsecured, interest free and repayable on demand. The carrying amount of such balance approximated its fair value and was denominated in RMB.

The balance was subsequently repaid in 2012.

15 **Trade receivables and other receivables, deposits and prepayments**

Target Group and Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (note a)	4,519	5,371	8,417	8,184
Other receivables and deposits (note b)	4,741	4,121	1,616	1,777
Prepayments (note c)	3,839	3,889	5,181	5,093
Total other receivables, deposits and prepayments	8,580	8,010	6,797	6,870

Notes:

a. The Target Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. Accordingly, the Target Group does not have any specified credit period for its customers. Trade receivables primarily represent the toll revenue collected by the transport department of the local government on behalf of the Target Group and the amounts are settled on weekly basis.

As at 31 December 2011, 2012 and 2013 and 31 August 2014, trade receivables were all aged within 30 days, neither past due nor impaired and no provision for impairment loss were provided for trade receivables.

b. As at 31 December 2011, 2012 and 2013 and 31 August 2014, all other receivables and deposits were performing.

c. Prepayments mainly represent prepayment of business tax and advances to contractors in connection with the construction of the Target Group's toll highway and staff facilities.

The Target Group and the Target do not hold any collateral as security. The maximum exposure to credit risk as at each balance sheet date is the carrying value of the receivables as stated in the consolidated balance sheets.

The carrying amounts of trade receivables and other receivables, deposits and prepayments approximated their fair values and are denominated in RMB.

16 **Restricted bank deposits and cash and cash equivalents**

Target Group

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits (note a)	15,000	—	—	—
Cash at bank and in hand	5,475	232,163	63,622	63,463
Total restricted bank deposits and cash and cash equivalents	20,475	232,163	63,622	63,463
Maximum exposure to credit risk	20,432	232,148	63,189	63,427

Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits (note a)	15,000	—	—	—
Cash at bank and in hand	5,430	232,163	63,622	63,463
Total restricted bank deposits and cash and cash equivalents	20,430	232,163	63,622	63,463
Maximum exposure to credit risk	20,386	232,148	63,189	63,427

Notes:

a. The restricted bank deposits were held for bills payable with a maturity period of 6 months as at 31 December 2011 (note 21).

b. All bank balances and cash in hand are denominated in RMB.

17 **Investment properties**

Target Group and target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	—
Transfer from property, plant and equipment and land use right, at net book value	—	—	—	3,185
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of tax	—	—	—	3,045
At end of the year/period	—	—	—	6,230

The investment properties were revalued by Greater China Appraisal Limited, an independent firm of professional surveyor, appointed by the Company. The fair value of each investment property is individually determined by the independent valuer.

The fair value of investment properties had been generally derived using the income capitalisation approach. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There was no change in valuation techniques during the period ended 31 August 2014 and all investment properties are included in level 3 fair value hierarchy as at 31 August 2014.

Amounts recognised in profit and loss for investment properties are insignificant to the Target Group.

The Target Group's investment properties are held on leases of 44 years in the PRC.

18 **Paid-in capital**

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	800,000	800,000	1,770,000	1,770,000
Issue of paid-in capital (note b)	—	970,000	—	—
At the end of the year/period	800,000	1,770,000	1,770,000	1,770,000

Notes:

a. The interests in the Target held by 百榮投資 and 百榮世貿 were pledged to secure long-term bank borrowings (note 19).

b. Pursuant to a shareholders' resolution passed on 31 August 2012, the ultimate holding company injected capital of RMB970,000,000 in total, which comprised of cash consideration of RMB62,000,000 and capitalisation of intercompany balance due to the ultimate holding company of RMB908,000,000.

19 **Borrowings**

Target Group and Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank borrowings	2,987,440	3,202,880	3,477,219	3,445,039
Short-term bank borrowings	495,000	450,000	400,000	300,000
Interest payable	7,519	6,877	8,484	51,773
Total borrowings	3,489,959	3,659,757	3,885,703	3,796,812
Less: Amounts due within one year as shown under current liabilities	(507,079)	(468,918)	(472,965)	(429,934)
Total non-current borrowings	2,982,880	3,190,839	3,412,738	3,366,878

(a) The Target Group's and Target's borrowings were repayable as follows:

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	507,079	468,918	472,965	429,934
Between one and two years	11,400	64,481	91,841	114,641
Between two and five years	291,840	400,922	514,922	560,522
Later than five years	2,679,640	2,725,436	2,805,975	2,691,715
	3,489,959	3,659,757	3,885,703	3,796,812

(b) The long-term bank borrowings were secured by:

(i) Intangible operating rights of the Target Group with a net book value of RMB4,953,872,000, RMB4,925,832,000, RMB4,854,487,000 and RMB4,798,875,000 as at 31 December 2011, 2012, 2013 and 31 August 2014, respectively (Note 12).

(ii) Paid-in capital of the Target held by 百榮投資 and 百榮世貿.

(c) The short-term bank borrowings of RMB475,000,000, RMB450,000,000 and RMB400,000,000 as at 31 December 2011, 2012 and 2013, respectively, were secured by equity interests in 百榮世貿 held by the ultimate holding company.

(d) The non-secured short-term bank borrowings of RMB20,000,000 as at 31 December 2011 were guaranteed by 百榮投資 and 百榮世貿 and RMB300,000,000 as at 31 August 2014 were guaranteed by 百榮世貿.

(e) The effective interest rates of these borrowings as at 31 December 2011, 2012, 2013 and 31 August 2014 were 7.11%, 6.63%, 6.64% and 6.76%, respectively.

(f) The exposure of the Target Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less	**6 - 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Long-term bank borrowings:			
As at 31 December 2011	—	2,987,440	2,987,440
As at 31 December 2012	—	3,202,880	3,202,880
As at 31 December 2013	—	3,477,219	3,477,219
As at 31 August 2014	—	3,445,039	3,445,039
Short-term bank borrowings:			
As at 31 December 2011	495,000	—	495,000
As at 31 December 2012	450,000	—	450,000
As at 31 December 2013	400,000	—	400,000
As at 31 August 2014	300,000	—	300,000

(g) The fair value of the long-term borrowings is measured within level 2 of the fair value hierarchy, and is determined using expected future payments discounted at prevailing market interest rates available to the Target Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates. The carrying amounts of short-term and long-term borrowings approximated their fair value.

(h) All the borrowings are denominated in RMB.

20 Deferred income

Target Group and Target

Deferred income of the Target Group primarily represents the fees received in advance from contractors relating to operation of service areas and petrol stations along the toll highway.

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	105,044	103,998	100,392	96,796
Additions	3,400	3,350	3,314	—
Credited to other income, gains and losses — net (note 6)	(4,446)	(6,956)	(6,910)	(4,661)
At 31 December	103,998	100,392	96,796	92,135
Less: non-current portion	(97,842)	(94,246)	(90,650)	(88,256)
Current portion	6,156	6,146	6,146	3,879

21 Other payables and accrued charges

Target Group and Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables relating to the construction of the toll highway	433,354	300,949	75,723	51,084
Bills payable	15,000	—	—	—
Deposit received	8,238	1,286	1,375	1,639
Others	6,287	12,014	10,845	2,353
	462,879	314,249	87,943	55,076

Notes:

a. Bills payable was bills of exchange issued to 武漢百暢養護工程有限公司, a related company of the Target Group, with a maturity period of 6 months as at 31 December 2011.

b. Other payables and accrued charges are denominated in RMB and the carrying amounts approximated their fair values.

22 **Note to the consolidated statements of cash flows**

(a) Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December			Eight months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating profit	62,873	162,308	244,454	153,753	191,554
Amortisation of intangible operating rights	42,495	59,618	72,295	48,910	57,754
Depreciation of property, plant and equipment	1,684	2,710	2,248	1,469	1,746
Loss on liquidation of a subsidiary	—	2	—	—	—
Loss/(gain) on disposal of property, plant and equipment	134	—	—	—	(416)
Operating profit before working capital changes	107,186	224,638	318,997	204,132	250,638
Changes in working capital:					
- trade and other receivables, deposits and prepayments	2,773	(282)	(65)	52	510
- deferred income	(1,046)	(3,606)	(3,596)	(4,661)	(4,661)
- other payables and accrued charges	(30,179)	(24,139)	10,659	(4,174)	(5,378)
- amount due from / to the ultimate holding company, net	50,716	212,827	(8,000)	(8,000)	139,421
- amount due from the immediate holding company	—	7	7	6	(443)
- amounts due from related companies	(27,543)	(51,995)	8,614	(1,332)	(278,511)
Cash generated from operations	101,907	357,450	326,616	186,023	101,576

23 **Contingent liabilities and financial guarantee**

Target Group and Target

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group's and the Target's financial guarantee contracts are as follows:				
Guarantees for credit facilities granted to related companies	7,869	53,464	29,000	—

The Target has contingent liabilities in respect of a legal claim by 溫州交通建設集團有限公司 (Wenzhou Communications Construction Group Company Limited) in relation to the construction of the Suiyuenan Expressway. The board of the Target, having taken legal advice, is of the view that the Target has good rebuttal to the argument set forth in the arbitration documents. The board of the Target considers the probability of loss is remote and will not have significant financial or operational impact to the Target as such no provision need be made for this legal claim.

24 **Commitments**

(a) **Lease commitments**

The Target Group's and Target's future aggregate minimum lease receipts under non-cancellable operating leases of premises and banner advertisement along the toll highway are as follows:

	As at 31 December			As at 31 August
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease receipts				
Not later than one year	3,700	3,730	4,005	5,912
Later than one year and not later than five years	11,000	7,490	6,000	8,494
Later than five years	—	—	535	840
	14,700	11,220	10,540	15,246

(b) **Capital commitments**

There is no material capital commitment as at each balance sheet date.

25 **Related party transactions**

(a) **Related parties**

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Target Group has significant transactions and their relationship with the Target during the Relevant Periods:

Significant related party	**Relationship with the Company**
百榮投資控股集團有限公司	The immediate and ultimate holding company
百榮世貿商城管理有限公司	The immediate holding company
武漢百發百中廣告有限責任公司	A subsidiary (liquidated on 12 December 2012)
舟山世紀太平洋化工有限公司	Controlled by the ultimate holding company
武漢百暢養護工程有限公司	Controlled by the ultimate holding company
北京昌舜投資有限公司	Controlled by the ultimate holding company
杭州豐展裝飾工程有限公司	Controlled by the ultimate holding company
湖北百信安建築裝飾工程有限公司	Controlled by the ultimate holding company
監利縣宏遠物資材料有限公司	Controlled by the ultimate holding company
湖北百順建材有限公司	Controlled by the ultimate holding company

(b) **Balances with related companies**

As at 31 December 2011 and 2012, the amounts due to related companies of RMB60,000,000 and RMB121,000,000 were interest bearing at an effective interest rate of 8.86% and 6.08% per annum respectively. The balances were secured by the properties with an aggregate net book value of RMB7,869,000 and RMB7,464,000 as at 31 December 2011 and 2012, respectively (note 13). The balances were due within one year and their carrying amounts approximated their fair values.

Save as disclosed above, the rest of amounts due to the ultimate holding company and related companies as at each balance sheet date were unsecured, interest free and repayable on demand.

The amounts due from the ultimate holding company, the immediate holding company and related companies as at each balance sheet date were unsecured, interest free, and expected to be received within 12 months after balance sheet date.

As at each balance sheet date, the carrying amounts of balances with related companies, the ultimate holding company and the immediate holding company approximated their fair values and were denominated in RMB.

(c) **Transactions with related companies**

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Management fee paid to the ultimate holding company (note 7)	(39,866)	(15,187)	—	—	—
Gain on disposal of property, plant and equipment to the ultimate holding company (note 6)	—	—	—	—	421
Interest expenses and financing charges paid to related companies (note 10)	(16,726)	(15,100)	(10,408)	(9,505)	(5,760)

(d) **Key management compensation**

Key management includes directors and other senior personnel. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			**Eight months ended 31 August**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other benefits	1,673	1,691	1,768	1,148	1,358
Bonuses	140	157	157	105	156
	1,813	1,848	1,925	1,253	1,514

26 **Subsequent events**

On 17 December 2014, 越秀(中國)交通基建投資有限公司 (Yuexiu (China) Transport Infrastructure Investment Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company has conditionally agreed to acquire, and the shareholders of the Target Group have conditionally agreed to sell the 70% equity interests in Target at the total consideration of approximately RMB1,950 million subject to deduction, if applicable. The consideration comprises of cash consideration of approximately RMB1,792 million and the assumed debts of approximately RMB158 million. Upon completion of the Transaction, the Company will own 70% of the interest in, and the operating right to, the Suiyuenan Expressway and the Target Company will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated in the financial statements of the Group upon Completion.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 August 2014 up to the date of this report.

No dividend or distribution has been declared or made by the Target in respect of any period subsequent to 31 August 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(a) **Unaudited pro forma statement of the assets and liabilities of the Enlarged Group**

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group which has been prepared based on the unaudited condensed consolidated balance sheet of the Group as set out in the published interim report for the six months ended 30 June 2014 after making pro forma adjustments as set out in notes below. This unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition, as if the Acquisition had taken place on 30 June 2014. It has been prepared on the basis of the notes below and is consistent with the accounting policies adopted by the Group. It has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2014 or at any future date.

Unaudited pro forma statement of the assets and liabilities of the Enlarged Group

	The Group as at 30 June 2014	**Pro forma adjustments**					**Unaudited Pro forma Financial Information of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	*(Note 3c)*	*(Note 4)*	
ASSETS							
Non-current assets							
Intangible operating rights	13,143,869	4,798,875		1,753,948			19,696,692
Goodwill	368,806			196,858			565,664
Property, plant and equipment	655,486	9,316					664,802
Investment properties	16,514	6,230					22,744
Investment in a joint venture	354,980						354,980
Investments in associates	1,538,240						1,538,240
Available-for-sale financial assets	812						812
Other non-current receivables	121,980						121,980
Total non-current assets	16,200,687						22,965,914
Current assets							
Trade receivables	70,586	8,184					78,770
Other receivables, deposits and prepayments	200,374	6,870					207,244
Short term deposits	27,000						27,000
Amount due from the immediate holding company		25,344			(25,344)		—
Amount due from related companies		372,593	(225,626)		(146,967)		—

	The Group as at 30 June 2014	Pro forma adjustments					Unaudited Pro forma Financial Information of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	*(Note 3c)*	*(Note 4)*	
Amount due from ultimate holding company		31,719			(31,719)		—
Amount due from non-controlling interests of subsidiaries			67,688				67,688
Cash and cash equivalents	1,135,891	63,463	(474,921)		(42,152)		682,281
Total current assets	1,433,851						1,062,983
Total assets	17,634,538						24,028,897
LIABILITIES							
Non-current liabilities							
Borrowings	4,835,487	3,366,878	1,317,079				9,519,444
Deferred income tax liabilities	1,527,338			381,937			1,909,275
Deferred income	—	88,256					88,256
Total non-current liabilities	6,362,825						11,516,975
Current liabilities							
Borrowings due within one year	549,707	429,934					979,641
Amounts due to non-controlling interests of subsidiaries	115,219						115,219
Amount due to related companies	—	246,182			(246,182)		—
Amounts due to holding companies	227						227
Amount due to a joint venture	42,000						42,000
Trade and other payables and accrued charges	247,347	55,076				3,500	305,923
Deferred income	—	3,879					3,879
Current income tax liabilities	37,596						37,596
Total current liabilities	992,096						1,484,485
Total liabilities	7,354,921						13,001,460
Net Assets	10,279,617						11,027,437

Notes to the unaudited pro forma statement of assets and liabilities of the Enlarged Group:

1. The balances are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2014 set out in the published interim report for the six months ended 30 June 2014.

2. The balances are extracted from the accountant's report of the Target Group as at 31 August 2014 as set out in Appendix IV to this circular.

3. The adjustments represent the accounting treatment for the Acquisition using the acquisition method of accounting, which is in accordance with the Group's accounting policies and HKFRS 3 issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to the Transfer Agreement, the Group through its wholly owned subsidiary has conditionally agreed to acquire 70% equity interest of the Target at the total consideration of RMB1,949,938,000 , comprising of (i) cash consideration of RMB1,792,000,000; and (ii) the Assumed Debts of RMB157,938,000. Upon the completion of the Acquisition, the Target Company will become an indirect non wholly-owned subsidiary of the Company.

   (a) The adjustment represents payment of the cash consideration of RMB1,792,000,000, the Assumed Debts of RMB157,938,000 by the Group and the novation of debts of RMB67,688,000 to Vendor A as set out in the Transfer Agreement.

   It is assumed that the payment of cash consideration is financed by new unsecured term loans in aggregate of up to HK$1,670,000,000 (equivalent to RMB1,324,694,000) and the remaining balance to be settled by the Group's internal resources. The Group has already entered into facility agreements with four banks during the period from 19 September 2014 to 31 October 2014 and paid the facility fee a total of HK$9,600,000 (equivalent to RMB7,615,000). The earliest repayment schedule of these loans is commenced after 24 months from the date of first drawdown, in which case, these loans are classified as long term for the purpose of this pro forma statement.

   In accordance with the Transfer Agreement, the Purchaser will assume 70% of the Relevant Debts of RMB225,626,000 with effect from the completion date of the Transaction. Vendor A (the non-controlling interests of the Target upon Completion Date) will owe 30% of the Relevant Debts to the Target with effect from the completion date of the Transaction (the "Vendor A's Debts").

(b) These represent the fair value adjustments to the Target Group's net identifiable assets, the recognition of goodwill and the non-controlling interests arising from the Acquisition. The fair values and carrying amounts of the assets and liabilities of the Target as at 31 August 2014 and the financial effect of the Acquisition are analysed as follows:

	Fair value	**Target Group's carrying amount**
	RMB'000	*RMB'000*
Intangible operating rights	6,552,823	4,798,875
Property, plant and equipment	9,316	9,316
Investment properties	6,230	6,230
Current assets	508,173	508,173
Current liabilities	(735,071)	(735,071)
Long-term borrowings	(3,366,878)	(3,366,878)
Deferred income	(88,256)	(88,256)
Deferred tax liabilities	(381,937)	—
	2,504,400	1,132,389

Represented by:

	RMB'000
Fair value of net assets acquired by the Group	1,753,080
Non-controlling interests of the Target Group	751,320
	2,504,400

The goodwill arising from the Acquisition is as follows:

	RMB'000
Total consideration	1,949,938
Fair value of net assets acquired by the Group (70%)	(1,753,080)
Goodwill	196,858

For the purpose of applying the acquisition method of the accounting under HKFRS 3 for this Unaudited Pro Forma Financial Information, the fair value of the assets and liabilities (excluding the deferred tax liabilities) of the Target amounting to RMB2,886,337,000 is extracted from the business valuation report as set out in Appendix VI of this circular. The deferred tax liabilities of RMB381,937,000 is the net effect of (i) deferred tax liabilities of RMB438,487,000 calculated based on the taxable temporary differences arising between the fair value of the assets and liabilities recognised in the Acquisition and the corresponding tax bases, and the standard enterprise income tax rate of 25% applicable to the Target Group, and (ii) deferred tax assets of RMB56,550,000 in respect of tax losses of the Target Group and deductible temporary differences arising from the intangible operating rights of the Target Group that can be utilised to offset with the existing taxable temporary differences in the future.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors considered that there is no impairment in the value of intangible assets and goodwill based on their assessment performed in accordance with Hong Kong Accounting Standard 36 - Impairment of Asset, and the reporting accountant has performed its procedures on the Unaudited Pro Forma Financial Information in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" and drawn its conclusion in the report as shown below. Upon completion of the Acquisition, the Company will adopt consistent accounting policies and principal assumptions as used in this Unaudited Pro Forma Financial Information to assess the impairment of the Enlarged Group's intangible assets and goodwill during the preparation of the future consolidated financial statements of the Enlarged Group and the auditor will perform the audit according to the Hong Kong Standards on Auditing.

Since the fair values and the carrying amounts of the identifiable net assets of the Target as at the Completion Date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Group upon completion may be materially different from the estimated amounts as shown above.

(c) Pursuant to the Transfer Agreement, the Vendors, the Purchaser and the Target Company have entered into an agreement on novation and repayment of debts owned by the original shareholders. The Vendors had also undertaken to the Purchaser that all the amounts due to the Vendors, the companies owned or controlled by the controlling shareholders of the Vendors or such persons that the Purchaser reasonably considers to be related to the Vendors from the Target Company and vice versa will be settled before the Completion Date (except the Vendor A's Debts). Save as the Assumed Debts and the Vendor A's Debts, all balances due from/to related parties with the Target Company will be settled upon the Completion Date. The adjustment represents net cash settlement of RMB42,152,000 by the Target Company to the Vendors.

4. The adjustment represents the estimated transaction costs of approximately RMB3,500,000, which are mainly professional fees payable by the Group in connection with the Acquisition.

5. No adjustments have been made to reflect any results or transactions of the Group and the Target entered into subsequent to 30 June 2014 and 31 August 2014 respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (collectively the "Group") and 湖北隨岳南高速公路有限公司 (Hubei Suiyuenan Expressway Company Limited*) (the "Target") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2014 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages V-1 to V-6 of the Company's circular dated 21 January 2015, in connection with the proposed acquisition of the Target (the "Transaction") by a wholly owned subsidiary of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-6.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2014 as if the Transaction had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2014, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 January 2015

* *For identification purpose only*

"The following is the text of a valuation report as at 31 August 2014 received from Greater China Appraisal Limited, for the purpose of incorporation in this circular."

GCA Professional Services Group
漢 華 專 業 服 務 集 團

21 January 2015

The Board of Directors
Yuexiu Transport Infrastructure Limited
23th Floor, Yue Xiu Building
160 Lockhart Road, Wanchai
Hong Kong

Dear Sirs/Madams,

Valuation of 70% Equity Interest in Hubei Suiyuenan Expressway Company Limited

In accordance with the instructions from Yuexiu Transport Infrastructure Limited (the "Company"), we were engaged to perform a valuation analysis in relation to the 70% Equity Interest (the "Equity Interest") in Hubei Suiyuenan Expressway Company Limited (the "Target Company") as at 31 August 2014 (the "Valuation Date").

It is our understanding that our analysis will be used by the management of the Company for transaction reference purpose only. Our analysis was conducted for the above purpose and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for transaction reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating the fair value of the Equity Interest as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of the Equity Interest on the basis which defines as *"the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties"*.

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the asset. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on going concern basis.

V. LEVEL OF VALUE

Valuation is a range concept and the current valuation theories suggest that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole**;**

2. **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Target Company, as well as reviews of the Target Company's records and financial projections, including but not limited to:

1. Syndicated Bank Loan Agreement signed in 2012;

2. Syndicated Bank Loan Repayment Schedule;

3. Registers of property, plant and equipment of the Target Company as at 30 June 2014;

4. Draft Financial Due Diligence Report prepared in September 2014;

5. Audited financial statements of the Target Company for the years ended 31 December 2012 and 31 December 2013;

6. Management accounts of the Target Company for the period ended 31 October 2014;

7. Traffic and revenue forecast prepared by the Jie Cheng Consultants Limited ("Jie Cheng"); and

8. Operation and maintenance cost forecast prepared by Jie Cheng.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

VII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Target Company is derived, and how the valuation of the Equity Interest may be impacted.

7.1. Economic Growth in China

Having opened the economy and joining the World Trade Organization (the "WTO"), the gross domestic product ("GDP") has grown dramatically; its annual growth rate peaked at 14.16% in 2007. However, as a result of the financial crisis in 2009, the rapid growth of China's economy has slowed down and its GDP growth rates stabilised at above 7% in recent years. Premier Li stressed in Hamburg Summit that China's economy, which has maintained a rapid development over the past 30 years, still boasts abundant power source and has the capability to maintain a medium-to-high speed growth and march towards a medium-to-high level in a certain period in the future.

Table 7 - 1 Real GDP Annual Growth Rate and Inflation of China from 2010 to 2014

	2010	2011	2012	2013	2014E
Real GDP Annual Growth Rate (%)	10.41	9.30	7.65	7.70	7.38
Inflation (%)	4.60	4.10	2.50	2.50	2.30

Source: World Economic Outlook Database (October 2014), the International Monetary Fund

According to the International Monetary Fund (the "IMF"), the nation recorded an annual GDP of RMB56,885 billion in 2013, representing an annual growth rate of around 7.7%. According to the World Economic Outlook published by the IMF in October 2014, China is now the second largest economy in the world after the U.S.

Table 7 - 2 Worldwide GDP

	Country	GDP - Billions of the United States Dollar ("USD")							
		2012A	2013A	2014F	2015F	2016F	2017F	2018F	2019F
1	China	8,387	9,469	10,355	11,285	12,235	13,263	14,353	15,519
2	United States	16,163	16,768	17,416	18,287	19,197	20,169	21,158	22,148
3	Japan	5,938	4,899	4,770	4,882	5,001	5,155	5,295	5,433
4	Germany	3,428	3,636	3,820	3,909	4,063	4,233	4,394	4,556
5	France	2,688	2,807	2,902	2,935	3,027	3,142	3,263	3,393
6	Brazil	2,248	2,246	2,244	2,357	2,469	2,598	2,739	2,892

Source: World Economic Outlook Database (October 2014), the International Monetary Fund

According to [1]the Analysis and Forecast of China's Economy — Autumn 2014 published by Chinese Academy of Social Science, the China's economy is forecasted to grow at around 7.3% in 2014. China's economy in 2015 will continue to be challenging. There are many negative factors that might affect the development of the China's economy. These factors include:

1) the global economy is weak and the external demand is difficult to significantly improve;

2) the domestic consumption is just stable in general;

3) investments encounter the problem of overcapacity and lack of innovation;

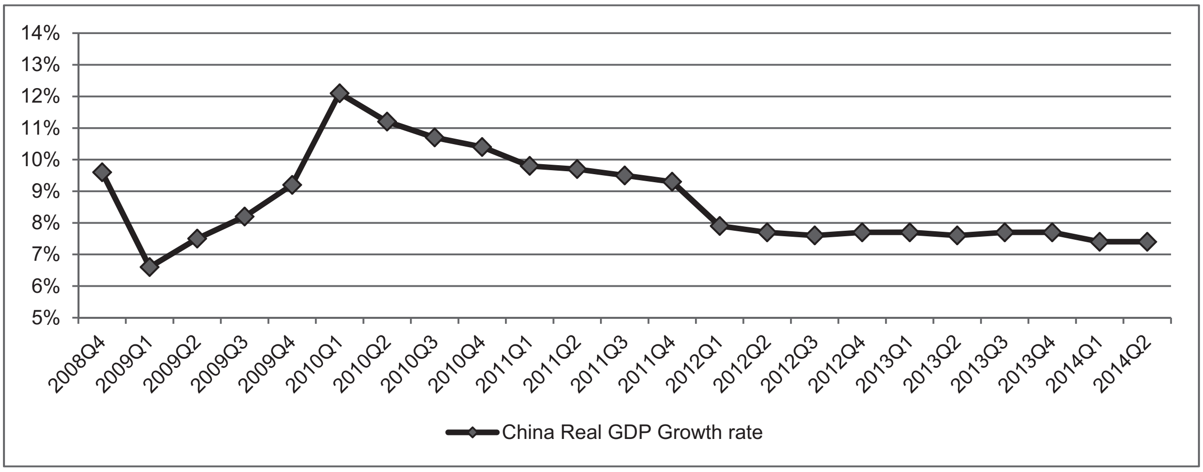
4) more unsold inventories in property market; and

5) capital constraints on infrastructure development projects which limited the investment driven economic growth.

Under this background, the report projected the economic growth would be only around 7.0% in 2015.

The following diagram shows the GDP annual growth rate by quarter from 2008 Q4 to 2014 Q2:

Figure 7 — 1 GDP Annual Growth Rate in China



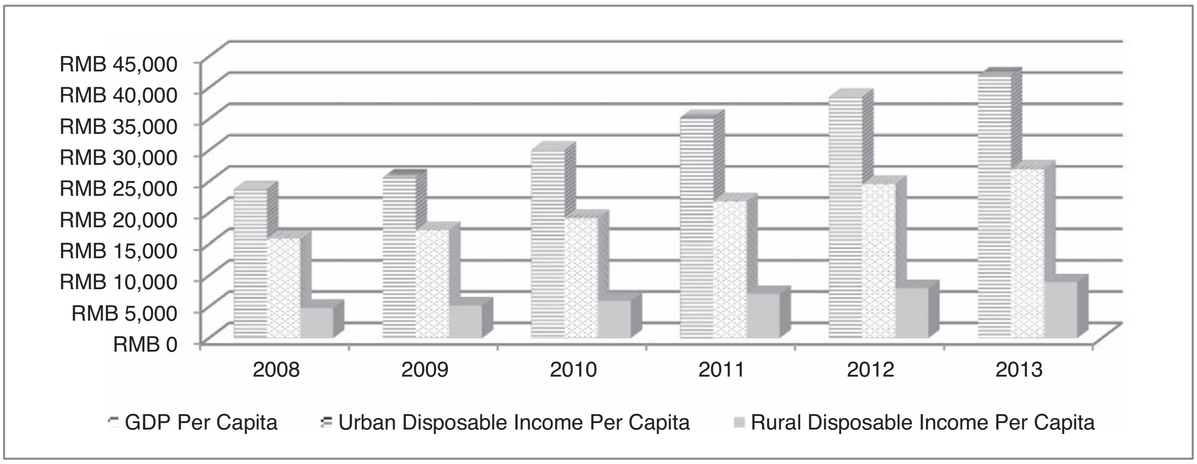
Source: National Bureau of Statistics of China

1 "中國經濟形勢分析與預測 — 2014年秋季報告"

The disposable income level has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB15,781 in 2008 to RMB26,955 in the 2013, representing a compound annual growth rate ("CAGR") of approximately 11.3%; annual disposable income per capita of rural households has increased from RMB4,761 in 2008 to RMB8,896 in 2013, representing a CAGR approximate to 13.32%.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2008 to 2013:

Figure 7 — 2 GDP per Capita of China



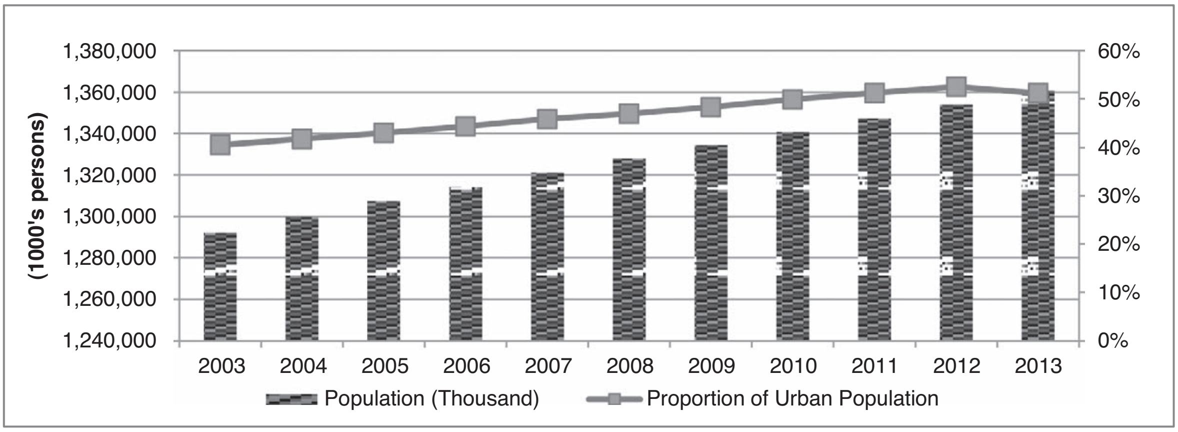
Source: National Bureau of Statistics of China

7.2. **Population Growth**

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, in the past decade, the population has grown from 1.29 billion in 2003 to 1.36 billion in 2013, representing a CAGR of approximately 0.53%.

The proportion of urban population in China increased from 40.53% in 2003 to 51.24% in 2013, representing a CAGR of approximately 2.37%. The following diagram shows the population growth and corresponding urban population growth in China from 2003 to 2013:

Figure 7 — 3 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China; World Economic Outlook Database (October 2014), the International Monetary Fund

Population growth is expected to be steady in this decade. According to the projection from the IMF and CEIC, China's population will grow from 1.37 billion in 2014 to 1.40 billion in 2019, representing a CAGR of approximately 0.43%. Besides, population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steadily growth in population together with improving living standard continuously derives a strong demand on housing and transportation.

Table 7 — 3 Population Forecast

Population (Million)	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**
China	1,374.31	1,381.13	1,387.99	1,394.88	1,401.81

Source: Source: World Economic Outlook Database (October 2014), the International Monetary Fund; CEIC

7.3. **Inflation**

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 2.3% in July 2014 on year-over-year basis, as compared with that of 2.7% in July 2013. China is expected to continue a prudent monetary policy, keep money supply and total social financing growing at a reasonable pace, and optimize financing and credit structures in the future.

Factor determining future monetary policy could possibly be the property price. In 2013, property price in major cities continued to rise fast. Shenzhen and Guangzhou posted increases of 20% from a year earlier, while prices climbed 18% in Shanghai and 16% in Beijing, data from the National Bureau of Statistics showed on 18 December 2013. However, another important factor determining monetary policy, CPI Food Index, remained stable at an acceptable level of 103.6 in July 2014. According to the China Economic Outlook published by the IMF in October 2014, the inflation in China is expected to be 2.3% in 2014 and will goes up a little bit to 2.5% in 2015. Inflation is expected to keep at 3% after 2015.

Table 7 — 4 Inflation Forecasts of China

	Inflation, Average Consumer Prices (%)						
	2013A	**2014F**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**
China	2.50	2.30	2.50	3.00	3.00	3.00	3.00

Source: World Economic Outlook Database (October 2014), the International Monetary Fund

7.4. **Government Policy**

China will maintain stable economic policies and a prudent monetary policy, and targeted the GDP growth at an achievable rate of 7.5%, said by Premier Li.

To implement the stable economic policies in 2014, the government will increase the deficit and government debt in combination with tax reform and structural tax cuts, as well as optimizing government spending and improving management over local government borrowing. To maintain the prudent monetary policy, the government will improve its policy framework to implement its macroeconomic controls and use monetary policy as a counter-cyclical tool.

In the Central Economic Work Conference held in Beijing at the end of the last year, the top leaders of the Communist Party of China emphasised that the main tasks in 2014 were as follows:

1) Ensuring food safety;

2) Industrial restructuring;

3) Controlling debt risks;

4) Promoting newly-emerging industries;

5) Improving people's livelihood; and

6) Deepening reform and opening-up.

VIII.INDUSTRY OVERVIEW

To cope with the increasing demand on road infrastructure, in 2005, the Minister of Transport published a 30-year blueprint of 85,000 km expressway development covering all provincial capitals and major cities in China.

The expressway system in China can be separated into two levels, one is national level and the other one is provincial level. The national level expressway connects different countries while the provincial level expressway connects different provinces. Currently, China has the longest expressway network in the world with 104,500 km length in total.

Hubei province is located in the central China surrounded by Shannxi, Henan, Anhui, Jiangxi, Hunan province and Chongqing Municipality. Hubei province is at the junction of the Yangtze River Economic Belt from east to west and the Beijing-Guangzhou Railway Economic Belt from north to south. With this geographical advantage, the size of the economy of Hubei province ranks number 1 among these six provinces and number eleventh in the nation.

Abundant natural resources have fostered a strong agricultural industry in Hubei province. Hubei province is one of the key production places of commodity grain, cotton, oil and the fresh water products. With the supports from reputable scientific and education institutes, energy related and manufacturing industries also play key roles in Hubei's economic activities. Hubei province's economy is further benefited from the rapid development of the Yangtze Economic Belt and the completion of the Three Gorges Dam. Good economic environment provides a lot of investment opportunities and stimulate local consumptions and export activities. Along with the rapid economic development, the pressure on road infrastructure increases tremendously. All transportation related index, e.g. number of passengers, goods transportation volume and travelling distance, etc. with significant increment in recent decade.

The following table illustrates the growth in passenger and goods transportation volume of Hubei province:

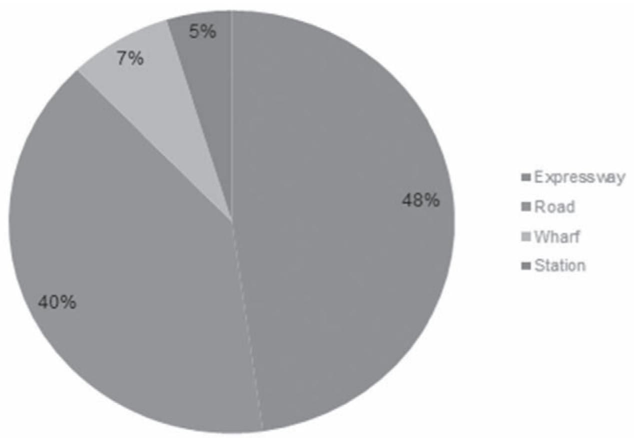
Table 8 - 1 Passenger and Goods Transportation Volume and Distance of Hebei (in million)

	January to October 2014	January to October 2013	Increase
Number of Passenger (Person)	741	684	8.29%
Passenger Travel Distance (Kilometer)	40,242	34,554	16.46%
Goods Transportation Volume (Tones)	935	807	15.76%
Goods Transportation Distance (Kilometer)	188,628	163,400	15.44%

Source: Department of Transportation of Hubei Province

The investment in transportation system has catalysed the economic growth and promotes travelling. For the 10 months ended October 2014, investment in expressway consumed around 48% of total capital invested in transportation infrastructure.

Figure 8 — 1 Investment in Transportation of Hebei for the 10 months ended October 2014



Source: Department of Transportation of Hubei Province

The total investment in construction of expressways in Hubei has amounted to approximately RMB41.89 billion for the first 10 months in 2014, with an increase of 25% comparing with the same period in 2013. "6 verticals, 5 horizontal and 1 ring" road reform which involved an aggregate distance of 3,500 km of expressway, has been in positive progress and with the success of this reform, the expressway network of Hubei province will eventually connect with the neighbour six provinces.

The statuses of major expressways construction were as follow:

Six verticals:

1. Macheng to Tongshan Expressway (completed)

2. Dawu to Chibi Expressway (completed)

3. Suiyue Expressway (completed)

4. Xiangfan to Jingzhou Expressway (completed)

5. Laohekou to Yido Expressway (planning)

6. Shiyan to Enshi Expressway (planning)

Five Horizontal:

1. Macheng to Zhuxi Expressway (planning)

2. Yingshan to Yunxi Expressway (partially completed)

3. Huangmei to Badong Expressway (partially completed)

4. Huangmei to Zhili Expressway (Huangmei to Wuhan part and Hanyang to Yichang part were built, Hu Rong is under construction)

5. Yangxin to Xianfeng Expressway (planning)

One Ring:

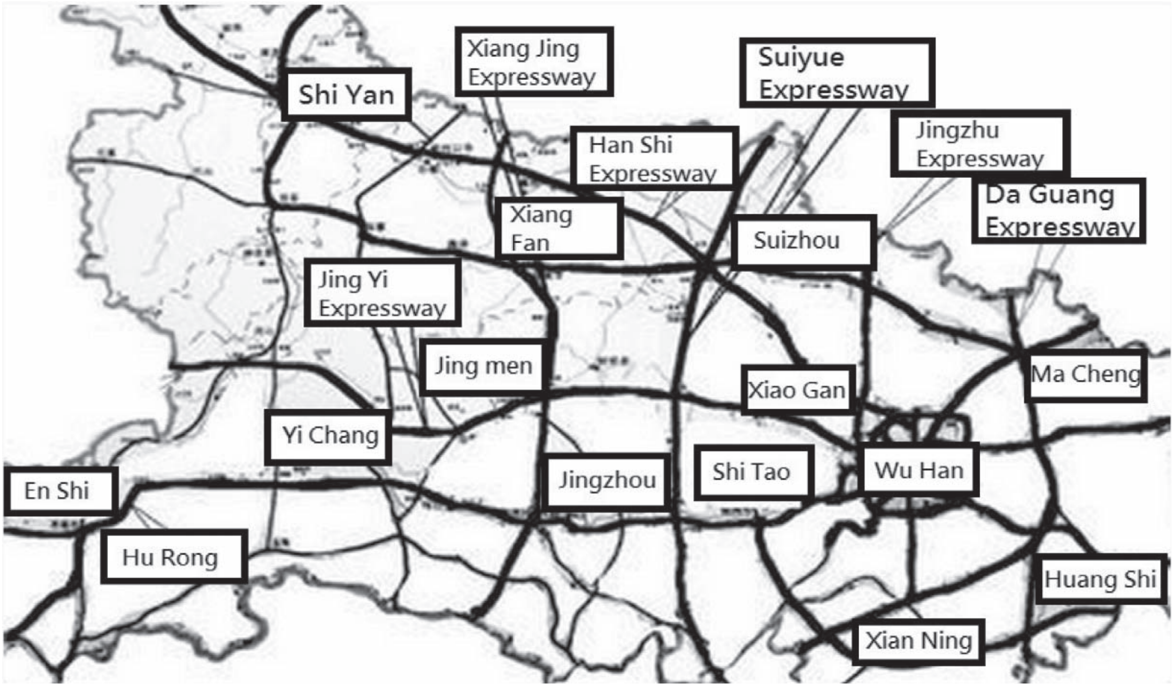
1. Wuhan Outer Ring Expressway (completed)

The construction of Wuhan Outer Ring Expressway and Suiyue Expressway, which not only provides convenience to people travelling between the Hubei province and the Hunan province, but also strengthens the national transport system. In order to enhance the road transport system in Hubei province, Hubei government has approved a road network reform plan, such that there will be 12 expressways as well as other complementary roads to be built by 2020. This plan will involve a total of 7,300 kilometres of road where 4,800 kilometres are expressway.

Moreover, Dawu-Chibi Expressway is in fact the Beijing-Zhuhai Expressway (Hubei phrase). The total investment of this phrase was RMB12.3 billion; the total length is 399 kilometres with four lane and maximum speed of 120 kilometres. It passes through Dawu, Xiaogan, Wuhan and Xiannign. It is the main route from the south to the north and is another expressway that links not only Hubei province and Hunan province together, but also allows people travelling from the south to Wuhan. Beijing-Zhuhai Expressway started operating in September 2002, and it was the first expressway investment that borrowed money from the World Bank. However, having established the Suiyue Expressway has diluted the volume of Dawu-Chibi Expressway.

The following graph illustrates the expressways network in Hubei:

Figure 8 — 2 Expressways network in Hubei



Source: www.cnhubei.com

IX. COMPANY OVERVIEW

9.1. Yuexiu Transport Infrastructure Limited (the "Company")

The Company was incorporated in Bermuda. Its shares are listed on the Hong Kong Stock Exchange in January 1997 (Stock Code: 1052). It is principally engaged in investing, operating and managing expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

9.2. Hubei Suiyuenan Expressway Company Limited (the "Target Company")

The Target Company is a private company incorporated in China on 26 September 2003. It obtained the concession right of Suiyuenan Expressway (the "Expressway") for 30 years and principally engaged in its operation and management. The construction of the Expressway started in November 2004 and formally opened to traffic on 10 March 2010. The concession right will be ended on 10 March 2040.

The Expressway is the south phrase of the Hubei Suiyue Expressway. Hubei Suiyue Expressway is the main expressway in Hubei province. It divides into the North phrase, the Middle phrase, the South phrase and Hunan phrase and links up the transport between Hubei province and Hunan province with a total distance of 343 kilometres. It starts at Suizhou located in north part of Hubei, and passes by major cities such as Tianmen, Xiantao, and Jianli along to the south, through Jing Yue Yangtse River Bridge to arrive at Yueyang in Huinan. Suiyue Expressway is also linked with other main expressways.

The total investment of the Expressway was about RMB5.3 billion. It lengths 98 kilometres in total and is regarded as the most important phrase of Suiyue Expressway. Because it starts from Xiantao to Jing Yue Yangtse River Bridge, while travellers from the South to Wuhan must pass through Xiantao and Jing Yue Yangtse River Bridge is the only bridge connecting Hubei and Hunan province in the south. The Expressway not only enhances the convenience of going back and forth Wuhan and Wunan from Hubei, it also links with expressways that are connected to other capital cities, for example, Han Yi Expressway and Beijing-Zhuhai Expressway. Therefore, it is designed to manage a high volume of vehicles.

X. VALUATION METHODOLOGY

The valuation of any asset or business can be broadly classified into one of the three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

10.1. Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable

We have considered but rejected the asset approach for this valuation due to the value of the equity of an up-and-running company is determined by the ability to generate a stream of benefits in future, rather than the cost of replacement.

10.2. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected the market approach for this valuation due to the following reasons:

- The characteristics of each expressway is very different. It might not easy to use the market approach with adjustment to reflect the characteristics of the expressway;
- Additionally, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the estimate of the transactions; and
- Comparatively, with the supports from the Independent Technical Export, the traffic volume, the revenue, the corresponding costs and capital expenditure ("Capex") can fairly reflect the unique characteristics of the Expressway and it forms a better basis for evaluation.

10.3. **Income Approach**

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the Target Company operates, and other risks specific to the asset being valued.

We have applied the income approach for this valuation due to the following reasons:

- The value of the Equity Interest is determined by the ability to generate a stream of benefits in future; and
- Economic benefit streams can be identified based on projected cash flows which are estimated based on reasonable assumptions.

XI. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation are:

1. There will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target Company is operated;
2. There will be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There will be no major change in the current taxation law in China and countries of origin of our comparable companies;

4. There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;

6. Credit terms and repayment schedules of bank loans are provided by the management of the Target Company;

7. Depreciation policy of the Target Company is subjected to the accounting policy of the Company as enlarged by the acquisition of the Target Company;

8. There will be no significant deviation in the current assets and current liabilities assumption made by the management of the Target Company;

9. Future revenue growth will conform to those forecasted by Jie Cheng;

10. The amount of operating expenses and Capex will conform to those forecasted by Jie Cheng; and

11. The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business.

XII. MAJOR ASSUMPTIONS OF VALUATION

Equity value is an economic measure reflecting the value to the equity holder. We develop the equity value by using a discounted cash flow ("DCF") method, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and Capex.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the Target Company were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \dots + \frac{E_n}{(1+k)^n}$$

E_1, E_2, E_3, etc.=	Expected economic income in the 1st, 2nd, 3rd periods, and etc.
E_n =	Expected economic income in the last period
k =	Discount Rate

The financial projection is prepared by Jie Cheng. We have reviewed the calculation and discussed with Jie Cheng and the management of the Target Company about the validity of the projection. Our valuation is developed based on this financial projection.

Brief description of major assumptions has been shown as below:

12.1 **Basis of Revenue**

Table 12 - 1 Revenue Forecast of the Target Company

Year	*RMB'000*	**Year**	*RMB'000*
2014 (Sept - Dec)	147,396	2027	1,318,000
2014	428,500	2028	1,388,500
2015	485,000	2029	1,456,000
2016	523,000	2030	1,509,500
2017	602,500	2031	1,557,000
2018	647,000	2032	1,597,000
2019	714,500	2033	1,624,000
2020	787,000	2034	1,645,000
2021	863,000	2035	1,661,500
2022	941,500	2036	1,673,500
2023	1,022,000	2037	1,682,000
2024	1,102,000	2038	1,688,000
2025	1,172,000	2039	1,693,000
2026	1,245,000	2040	316,000

Revenue forecast of the Target Company is based on the Traffic Report that prepared by Jie Cheng. The main factors considered in the forecast are traffic flow, toll rates and expected future increase in toll rates. Two different scenarios, conservative and optimistic, are analysed and two sets of forecasts are projected accordingly. We computed the average revenue under the two scenarios and applied in our valuation.

It is expected that the revenue will increase steadily every year which is in line with the projected yearly inflation and traffic growth.

12.2 **Cost of Revenue**

Table 12 - 2 Cost of Revenue Forecast of the Target Company

Year	Wages and Salaries	Minor Repairs and Maintenance	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2014 (Sept - Dec)	—	—	—	18,240
2014	19,800	16,762	1,131	37,693
2015	21,780	20,342	1,465	43,586
2016	22,250	23,749	1,799	47,798
2017	22,731	17,114	1,128	40,973
2018	23,223	19,011	1,311	43,545
2019	23,726	20,918	1,494	46,138
2020	24,240	22,833	1,678	48,751
2021	24,604	25,347	1,919	51,870
2022	24,973	17,749	1,298	44,020
2023	25,347	18,657	1,378	45,382
2024	25,728	20,392	1,389	47,509
2025	26,114	18,743	1,212	46,068
2026	26,505	21,954	1,521	49,980
2027	26,903	25,177	1,830	53,909
2028	27,306	21,060	1,405	49,771
2029	27,716	24,606	1,745	54,067
2030	28,132	25,415	1,811	55,358
2031	28,459	30,227	2,273	60,959
2032	28,791	29,745	2,205	60,741
2033	29,127	19,554	1,315	49,995
2034	29,467	20,631	1,400	51,498
2035	29,811	22,843	1,448	54,102
2036	30,159	26,230	1,763	58,152
2037	30,511	27,486	1,863	59,861
2038	30,868	29,865	2,075	62,808
2039	31,229	32,266	2,287	65,782
2040	6,003	6,016	418	12,437

** Sum of individual figures may not equal the total amount due to rounding*

Cost of revenue of the Target Company mainly represents the direct operating cost and the maintenance expenses which are based on the projection prepared by Jie Cheng. The direct operating cost mainly includes wages and salaries of the operating staff. Maintenance expenses will be incurred for minor repairs which cover regular inspection, daily road service maintenance, bridge maintenance, etc.

Such repairs will be necessary to maintain the operation of the Expressway. Further to the minor repairs, periodical overhaul is required to reinstate the original conditions of the Expressway after long term wear and tear. Such expenses will be capitalized. The cost of revenue will be generally in an increasing trend due to inflation.

We have reviewed the projection basis and compared to other similar toll road projects and we concluded that the projection is reasonable.

12.3 **Management and Other Operating Expenses**

Table 12 - 3 Management and Other Operating Expenses of the Target Company

Year	**Management Cost** *RMB'000*	**Operating Expenses** *RMB'000*	**Total** *RMB'000*
2014 (Sept - Dec)	—	—	6,355
2014	5,880	10,682	16,562
2015	6,468	11,750	18,218
2016	6,565	12,044	18,609
2017	6,663	12,345	19,009
2018	6,763	12,654	19,417
2019	6,865	12,970	19,835
2020	6,968	13,294	20,262
2021	7,072	13,494	20,566
2022	7,178	13,696	20,875
2023	7,286	13,902	21,188
2024	7,395	14,110	21,506
2025	7,506	14,322	21,828
2026	7,619	14,537	22,156
2027	7,733	14,755	22,488
2028	7,849	14,976	22,825
2029	7,967	15,201	23,168
2030	8,087	15,429	23,515
2031	8,208	15,583	23,791
2032	8,331	15,739	24,070
2033	8,456	15,896	24,352
2034	8,583	16,055	24,638
2035	8,711	16,216	24,927
2036	8,842	16,378	25,220
2037	8,975	16,541	25,516
2038	9,109	16,707	25,816
2039	9,246	16,874	26,120
2040	1,783	3,238	5,021

** Sum of individual figures may not equal the total amount due to rounding*

Management and the other operating expenses of the Target Group mainly represents the management staff cost and the other operating expenses such as utilities, security, etc. Jie Cheng estimated the operating expenses will be increased 1% to 2% per year which associated with the inflation.

We have reviewed the projection basis and compared to other similar toll road projects and we concluded that the projection is reasonable.

12.4 **Basis of Capital Expenditure**

Limited acquisition of new property, plant and equipment is expected in the operation of the Expressway. Most of the Capex represents the cost of overhauls incurred for road services and bridges. The amount of Capex is forecasted by Jie Cheng. The overhauls are expected to be carried out with costs of RMB147 million in 2022 and 2023, 78.1 million in 2024 and 2025, RMB162 million in 2033 and 2034 and RMB86 million in 2035 and 2036 respectively. These costs will be capitalized and depreciated in the expected remaining operation period.

Table 12 - 4 Capex of the Target Company

Year	**Road** *RMB'000*	**Bridge** *RMB'000*	**Restoration** *RMB'000*	**Total** *RMB'000*
2014 (Sept - Dec)	—	—	—	—
2014	—	—	—	—
2015	—	—	—	—
2016	—	—	—	—
2017	—	—	—	—
2018	—	—	—	—
2019	—	—	—	—
2020	—	—	—	—
2021	—	—	—	—
2022	147,000	—	—	147,000
2023	147,000	—	—	147,000
2024	—	78,100	—	78,100
2025	—	78,100	—	78,100
2026	—	—	—	—
2027	—	—	—	—
2028	—	—	—	—
2029	—	—	—	—
2030	—	—	—	—
2031	—	—	—	—
2032	—	—	—	—
2033	161,700	—	—	161,700
2034	161,700	—	—	161,700
2035	—	85,910	—	85,910
2036	—	85,910	—	85,910
2037	—	—	—	—
2038	—	—	—	—
2039	—	—	50,000	50,000
2040	—	—	—	—

We have reviewed the projection basis and compared to other similar toll road projects and we concluded that the projection is reasonable.

12.5 **Working Capital Requirement**

Working capital is calculated based on the historical financial information of the Target Company. Excluding cash and cash equivalent, no significant recurring current asset is expected to be necessary for the operation of the Target Company. At the end of the operation, all working capital will be settled.

Working capital assumptions of the Target Company are as follows:

1. Accounts receivables would be collected in 7 days;

2. Inventory will keep at current level;

3. Other receivable will remain at 0.47% of the revenue;

4. Other payables would be paid in 366 days;

5. Receipt in advance will decrease steadily according to the concession period; and

6. Tax payable will remain at 5.68% of revenue.

The working capital movement forecasts for the remaining period of operation are as follows:

Table 12 - 5 Working Capital Movement of the Target Company

Year	*RMB'000*	**Year**	*RMB'000*
2014	17,426	2028	(5,370)
2015	(10,070)	2029	2,733
2016	4,895	2030	(989)
2017	(5,038)	2031	2,884
2018	2,972	2032	(3,442)
2019	3,504	2033	(14,665)
2020	3,442	2034	(2,841)
2021	3,816	2035	(2,133)
2022	(7,337)	2036	(1,082)
2023	1,709	2037	(3,790)
2024	2,212	2038	(2,880)
2025	(1,941)	2039	(3,134)
2026	3,272	2040	(13,564)
2027	3,042		

12.6 **Valuation Projection- Free Cash Flow to Equity ("FCFE")**

Based on the above major assumptions, the FCFE in each projection period is calculated. We discounted the FCFE to a present value at the appropriate discount rate. The final valuation is derived by the sum of the discounted FCFE in each of the projection period.

Table 12 - 6 Summary of FCFE Project (in million RMB)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	147	485	523	603	647	715	787	863	942	1,022	1,102	1,172	1,245	1,318
Cost of revenue	(18)	(44)	(48)	(41)	(44)	(46)	(49)	(52)	(44)	(45)	(48)	(46)	(50)	(54)
Tax surcharge	(5)	(17)	(18)	(21)	(22)	(25)	(27)	(30)	(32)	(35)	(38)	(40)	(43)	(45)
Depreciation and amortization	(71)	(213)	(213)	(213)	(212)	(212)	(212)	(212)	(212)	(226)	(241)	(249)	(257)	(257)
Operating expenses	(6)	(18)	(19)	(19)	(19)	(20)	(20)	(21)	(21)	(21)	(22)	(22)	(22)	(22)
Earnings before interest and tax	46	193	226	309	350	412	479	549	633	694	754	815	873	939
Tax Expenses	(33)	(48)	(56)	(77)	(88)	(103)	(120)	(137)	(158)	(173)	(188)	(204)	(218)	(235)
Earnings after tax	14	145	169	232	263	309	359	412	474	520	565	611	655	705
Depreciation and amortization	71	213	213	213	212	212	212	212	212	226	241	249	257	257
Change in net working capital	17	(10)	5	(5)	3	4	3	4	(7)	2	2	(2)	3	3
Working capital settlement	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Excess assets and liabilities	245	(62)	(49)	—	—	—	—	—	—	—	—	—	—	—
Increase in Capex	—	—	—	—	—	—	—	—	(147)	(147)	(78)	(78)	—	—
Free cash flow to firm	347	286	338	439	477	524	574	627	532	601	731	780	915	964
Bank loan repayment	(332)	(92)	(138)	(172)	(206)	(229)	(262)	(302)	(340)	(376)	(423)	(351)	(525)	—
Interest expenses after tax	(15)	(168)	(162)	(155)	(146)	(135)	(123)	(109)	(93)	(75)	(55)	(35)	(16)	—
Free cash flow to equity	—	25	38	113	125	161	190	217	99	150	252	393	374	964

** Sum of individual figures may not equal the total amount due to rounding*

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Revenue	1,389	1,456	1,510	1,557	1,597	1,624	1,645	1,662	1,674	1,682	1,688	1,693	316
Cost of revenue	(50)	(54)	(55)	(61)	(61)	(50)	(51)	(54)	(58)	(60)	(63)	(66)	(12)
Tax surcharge	(48)	(50)	(52)	(54)	(55)	(56)	(57)	(57)	(58)	(58)	(58)	(58)	(11)
Depreciation and amortization	(257)	(257)	(257)	(257)	(257)	(242)	(253)	(277)	(289)	(277)	(105)	(105)	(70)
Operating expenses	(23)	(23)	(24)	(24)	(24)	(24)	(25)	(25)	(25)	(26)	(26)	(26)	(5)
Earnings before interest and tax	1,011	1,072	1,122	1,162	1,200	1,252	1,259	1,249	1,243	1,262	1,436	1,438	218
Tax Expenses	(253)	(268)	(280)	(290)	(300)	(313)	(315)	(312)	(311)	(315)	(359)	(360)	(54)
Earnings after tax	759	804	841	871	900	939	944	936	932	946	1,077	1,079	163
Depreciation and amortization	257	257	257	257	257	242	253	277	289	277	105	105	70
Change in net working capital	(5)	3	(1)	3	(3)	(15)	(3)	(2)	(1)	(4)	(3)	(3)	(14)
Working capital settlement	—	—	—	—	—	—	—	—	—	—	—	—	(114)
Excess assets and Liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase in Capex	—	—	—	—	—	(162)	(162)	(86)	(86)	—	—	(50)	—
Free cash flow to firm	1,010	1,063	1,097	1,131	1,154	1,004	1,033	1,125	1,135	1,219	1,179	1,130	105
Bank loan repayment	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest expenses after tax	—	—	—	—	—	—	—	—	—	—	—	—	—
Free cash flow to equity	1,010	1,063	1,097	1,131	1,154	1,004	1,033	1,125	1,135	1,219	1,179	1,130	105

** Sum of individual figures may not equal the total amount due to rounding*

XIII.DETERMINATION OF DISCOUNT RATE

We developed the cost of equity ("Re") for the valuation of the Equity Interest based on data and factors relevant to the economy, the industry, and the Target Company as at the Valuation Date.

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate Re for this valuation.

MCAPM, as applied to this valuation, can be summarized as follows:

$$\mathbf{R_e = R_f + Beta \times ERP + RP_s + RP_c + RP_u}$$

Where	R_e:	Cost of Equity;
	R_f:	Risk Free Rate;
	Beta:	A measure of systematic risk;
	ERP:	Equity Risk Premium;
	RP_s:	Size Premium
	RP_c:	Country Risk Premium; and
	RP_u:	Specific Company Adjustment

13.1 Risk Free Rate ("R_f")

R_f was found by looking at the yields of the Hong Kong Exchange Fund Notes. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted. We relied on the yield of the 15-Year Hong Kong Exchange Fund Notes of Hong Kong Monetary Authority at the Valuation Date.

13.2 Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from Guideline Public Companies. The identified betas were unlevered to remove the effects of financial leverage with the consideration of the effective tax rate and the debt-to-equity ratio of the Guideline Public Companies on the indication of relative risk provided by the beta, and re-levered at the capital structure of the Target Company.

The formula to calculate the unlevered beta, can be illustrated as below:

$$Bu= \frac{BL}{(1 + (1 - Te) \times (D/E))}$$

Where	Bu:	Un-levered Beta;
	BL:	Leveraged Beta;
	Te:	Effective Tax Rate of the Guideline Public Companies; and
	D/E	Debt-to-equity Ratio of the Guideline Public Companies

The formula to calculate the re-levered beta, can be illustrated as below:

$$Br = Bu \text{ x } (1 + (1 - Tc) \text{ x } (D/E))$$

Where	Br:	Re-levered Beta;
	Bu:	Un-leveraged Beta;
	Tc:	Corporate Tax Rate of the Target Company; and
	D/E	Debt-to-equity Ratio of the Public Guideline Companies

13.3 **Selection of Guideline Public Companies**

As aforementioned, the Guideline Public Companies are selected to compute beta in our determination of R_e. One would start with a description of the subject company, in terms of lines of business, markets served, size and other criteria.

For this valuation, we have searched information from Bloomberg and reviewed the business description on the website of the Guideline Public Companies to ensure the companied adopted are fair and representative. We have selected the companies which are engaged in developing, operating, and managing highways and expressways in China, the shares are listed on the Hong Kong Stock Exchange and the revenue are mainly generated from China which is comparable to the Target Company. The following is the list of Guideline Public Companies that we have reviewed and selected in connection with this valuation:

Table 13 - 1 Guideline Public Companies

	Guideline Public Companies	**Ticker**	**Business Activities**
1.	Anhui Highway Company Limited	995 HK	Holds, operates and develops toll highways and highways in Anhui province in China.
2.	Jiangsu Expressway Company Limited	177 HK	Constructs, operates, manages and maintains expressways in China.
3.	Zhejiang Expressway Company Limited	576 HK	Designs, constructs, operates, and manages high grade roads, as well as develops and operates certain ancillary services.
4.	Hopewell Highway Infrastructure Limited	737 HK	Initiates, promotes, develops, and operates strategically important roads, tunnels, bridges and related infrastructure project.
5.	Yuexiu Transport Infrastructure Limited	1052 HK	Invests in develops, operates, and manages toll highways, highways, and bridges in China.

	Guideline Public Companies	Ticker	Business Activities
6.	Sichuan Expressway Company Limited	107 HK	Develops, invests, and operates infrastructure projects including toll roads, bridges, tunnels, and ancillary facilities.

Source: Bloomberg

Table 13 - 2 Summary of Beta

	Un-Levered Beta	Re-levered Beta
Anhui Highway Company Limited	0.506	0.608
Jiangsu Expressway Company Limited	0.686	0.824
Zhejiang Expressway Company Limited	0.668	0.802
Hopewell Highway Infrastructure Limited	0.534	0.642
Yuexiu Transport Infrastructure Limited	0.396	0.476
Sichuan Expressway Company Limited	0.363	0.436

Median Un-Levered Beta	Median Re-levered Beta
0.520	0.625

Source: Bloomberg

13.4 **Equity Risk Premium ("ERP")**

We adopted the recent 30 years of equity risk premium of the market where the subject company is located. The long term equity risk premium of the United States market is multiplied by the relative volatility between S&P 500 and equity indices of respective country where the subject company is located to obtain the equity risk premium of the respective country. The long term equity risk premium of the United States market is directly extracted from 2014 Ibbotson® Stocks, Stocks, Bonds, Bills, and Inflation: Classical Yearbook published by Morningstar, Inc. The volatilities of the indices are developed based on the daily closing price of the indices which obtained from Bloomberg database. This is one of the common market practices in estimating the equity risk premium of different countries. The formula to calculate the ERP, can be illustrated as below:

U.S. ERP x Volatility of respective equity indices / Volatility of S&P 500

We also made reference to the ERP published by Prof. Aswath Damodaran of New York University. We took average of the aforesaid two ERPs and adopted in this valuation.

13.5 **Size Premium (“RP_s”)**

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In this valuation, we applied the RP_s return in excess of CAPM in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2014 Classical Yearbook.

In this valuation, the fair value of the 100% equity interest of the Target Company is RMB2,020,000,000 which is approximately USD330m and fall into the 9th decile. Hence, we adopted the size premium of approximately 2.76% accordingly (Realized Return 12.14% - CAPM Return 9.37%).

13.6 **Country Risk Premium (“RP_c”)**

RP_c is the additional risk associated with investing in other foreign markets rather than in the domestic market. We made reference to the research on country risk premium published by Prof. Aswath Damodaran of New York University in 2014 and adopted in this valuation. According to the research, the country risk premium applied to China and Hong Kong are as follows:

Table 13 - 3 Country Risk Premium of China and Hong Kong

Location	Country Risk Premium
China	0.9%
Hong Kong	0.6%
Difference	0.3%

Source: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

We considered 0.3% RP_c is applicable for investing in China by a Hong Kong investor by reference to the country risk difference between these two places on the basis set out above. We considered this adjustment is reasonable as a rational investor would ask for additional returns to compensate the additional risk in cross countries projects.

13.7 **Specific Company Adjustment (“RP_u”)**

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the Target Company.

Firm specific risk factors may include the following:

1. Abnormal competition

2. Customer concentration

3. Size smaller than the Guideline Public Companies

4. Poor access to capital

5. Thin management

6. Lack of business diversification

7. Potential environment issue

8. Potential litigation

9. Narrow distribution channels

10. Obsolete technology

11. Dim company outlook

In our general practice, the range of RPu commonly applied is from 0% to 5%. The magnitude of the RPu depends on the corresponding risk level of the valuation subject and whether the underlying risk has been fairly captured by the other factors.

13.7.1. **Loss Making Position**

In this case, the Target Company recorded net loss from 2011 up to the Valuation Date. However, it is expected that the Target Company will generate positive cash flow in 2015 since most of the major construction costs has been incurred in previous years. We considered the underlying risk is low to medium and finally concluded to apply 1% RPu to address the loss making position. 1% RPu results in 12% discount on value compared to the valuation where no such adjustment is made.

13.7.2. **Lack of Marketability**

Furthermore, the shares of the Target Company are not publicly traded in the market. We therefore applied an additional discount to reflect such lack of marketability.

Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. Discount for lack of marketability ("DLOM") is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by the management in order to sell the interest. This typically would take at least three to nine months if a transaction could be consummated at all. We considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. In this case, the valuation of 70% Equity Interest is considered as valuing a controlling interest position. The DLOM for a controlling position is about 4% to 9% according to a publication of American Institute of Certified Public Accountants. In view of the above, we have applied an additional 0.5% RPu to address the DLOM. 0.5% RPu results in 6% discount on value compared to the valuation where no such adjustment is made. As the impact on the value is fall within the general range applied in the market (i.e. 4% to 9%), we considered this magnitude of this adjustment (i.e. additional 0.5% RPu) is reasonable.

Table 13 - 4 Specific Risk Premium

Risk Factor	Risk Premium
Loss making position (See Section 13.7.1)	1.0%
Lack of marketability (See Section 13.7.2)	0.5%
Specific risk premium applied	1.5%

Overall speaking we believe an additional 1.5% RPu, as illustrated by Table 13 - 4 on the Re which equivalent to a total discount of 18% on the unadjusted value can reasonably reflect such risks.

XIV. SENSITIVITY ANALYSIS

Discount rate adopted plays a pivotal role in the valuation given the high sensitivity to the fair value of the Interest. The fair values of the Equity Interest under different discount rates are presented below:

Table 14 - 1 Sensitivity Analysis of the Discount Rate for the Target Company

Discount rate	Fair value of 70% Equity Interest in the Target Company (RMB)
10.50%	2,299,000,000.
11.00%	2,154,000,000.
11.50%	**2,020,000,000.**
12.00%	1,897,000,000.
12.50%	1,782,000,000.

Per request from the management of the Company, we are requested to calculate the internal rate of return ("IRR") assuming the consideration is RMB1,949,938,436. Under such assumption, the IRR will be 11.78%.

XV. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Company.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVI. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it is our opinion that the fair value of the 70% Equity interest in Hubei Suiyuenan Expressway Company Limited is as follows:

	Fair Value as at 31 August 2014
70% Equity interest in Hubei Suiyuenan Expressway Company Limited (rounded)	RMB2,020,000,000.

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Analysed and Reported by:
Marvin K.C. Wong, *CPA*
Assistant Manager, Business Advisory

INVOLVED STAFF BIOGRAPHY

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Mr. Choy is experienced in performing business valuation for financial reporting and IPO purposes. Most of his clients are listed companies or large private companies looking for going public. His experience covers a wide range of industries including retail, public utility, food and beverage, infrastructure, manufacturing and information technology.

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Mr. Tsang is experienced in performing valuation for financial reporting and purposes of merger and acquisition. Most of his clients are listed companies or large private companies looking for going public. His experience covers a wide range of industries including infrastructure, telecommunications and information technology.

Marvin K.C. Wong, *CPA*
Assistant Manager, Business Advisory

Mr. Wong is experienced in performing business valuation of business for private and public companies on industries including but not limited to infrastructure, manufacturing and information technology.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

The following is the text of a letter, prepared for inclusion in this circular, received from Jie Cheng Consultants Limited in connection with the traffic forecasts for the Suiyuenan Expressway.

杰誠顧問有限公司
Jie Cheng Consultants Ltd.

Room 602,
Chung Wai Commercial Building,
447-449, Lockhart Road,
Hong Kong

21 January 2015

The Directors
Yuexiu Transport Infrastructure Limited

Dear Sirs,

TRAFFIC STUDY FOR YUEXIU TRANSPORT INFRASTRUCTURE LIMITED THE SOUTHERN SECTION OF SUIZHOU TO YUEYANG EXPRESSWAY, HUBEI PROVINCE EXECUTIVE SUMMARY

1. INTRODUCTION

In accordance with your instruction to Jie Cheng Consultants Limited (hereinafter referred to the "**Consultants**") to conduct a Traffic and Toll Revenue Forecast and an Operation and Maintenance Costs Estimate Study (hereinafter referred to the "**Study**") for the tolled southern section of the Suizhou to Yueyang Expressway in Hubei Province (hereinafter referred to "**the Expressway**" or "**Suiyuenan Expressway**"), the People's Republic of China for the Yuexiu Transport Infrastructure Limited (hereinafter referred to the "**Company**") for the purpose of valuation of the Suiyuenan Expressway and the inclusion in the Company's circular of even date. This report summarizes the results and findings based on the technical analysis conducted. The Consultants confirm that an independent traffic and toll revenue forecast and an operation and maintenance costs estimate have been prepared for the Suiyuenan Expressway.

The Suiyuenan Expressway is part of the Suizhou to Yueyang Expressway, which is one of the seven vertical route forming part of the expressway network of Hubei Province. It is also an important link between Hubei Province with Hunan Province and Henan Province.

The Suiyuenan Expressway (隨岳南高速) is the southern section of the Suizhou to Yueyang Expressway (隨嶽高速) in Hubei Province which is located between the Xiantao City (仙桃市) and the Jianli County (監利縣) of the Jingzhou City (荊州市) of Hubei Province.The Suiyuenan Expressway starts at the Zhuji interchange (珠璣互通) located at Maozui Town (毛嘴鎮) of Xiantao City and is connected to the middle section of Suizhou to Yueyang Expressway in Hubei Province (隨嶽中高速) and Huyu Expressway (滬渝高速). It extends southwards and ends at Bailuo Town (白螺鎮) linked with JingzhouYueyang Yangtze River Bridge (荊岳長江大橋). The expressway network continues southwards to Hunan Province and is connected to the Hunan section of Suizhou to Yueyang Expressway (隨岳高速湖南段). The toll length of the Suiyuenan Expressway is 98.06 km. The design speed is 100 km/h (the speed limit specified along the Expressway is 110km/h). The Suiyuenan Expressway is a dual 2-lane expressway with hard shoulder. The construction of the Suiyuenan Expressway was completed on March 2010 with a project cost of RMB 5.29 billion (i.e. RMB 54.00 million per km). Four toll stations were located at Chenchang, Xingou, Jianli and Zhuhe. Two service areas were located at Xiantao and Jianli.

The location of the Suiyuenan Expressway is given in Figure 1.

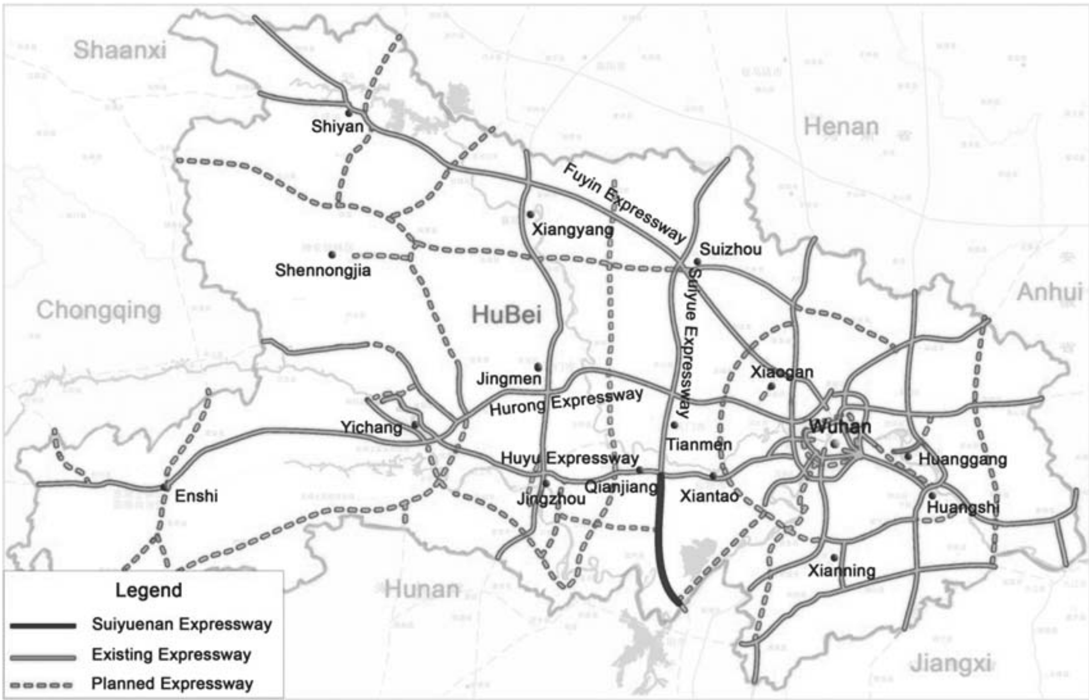

Figure 1 Location of the Suiyuenan Expressway

In conducting the Study, the Consultants have based on their analysis on the information collected during the traffic survey and site visit conducted from 8 August 2012 to 10 August 2012 and from 14 August 2012 to 17 August 2012; interview with the management and staff of the Suiyuenan Expressway and other relevant information collected during and after the site visits. In utilizing the given information from the Suiyuenan Expressway Management Company, the Consultants have sought confirmation from the management of the Suiyuenan Expressway that no material factors have been omitted.The report has been issued in 2012.

In accordance with your instruction to the Consultantsin August 2014, the Consultants have collected updated traffic and toll revenue data; the documents approving the extension of the concession period for the Suiyuenan Expressway; and carried out a site visit and conducted an independent traffic survey from 28 September 2014 to 29 September 2014 in order to update the traffic and toll revenue forecast and the forecast of the operation and maintenance costsreport.The forecast has also taken into consideration the latest GDP growth and road network planning information.

The Consultants consider that they have been provided with sufficient information to reach an informed view of the Study. The Study is completed using reasonable assumptions and a widely accepted methodology with an independent, scientific, professional, diligent and prudent approach. The result of the Study has been reviewed and endorsed by the Consultants' senior staff.

2. OBJECTIVE AND SCOPE OF SERVICES

According to the Consultancy Agreement between the Company and the Consultants, the Consultants are required to:

- Carry out a traffic and toll revenue forecast for the Suiyuenan Expressway from 1 January 2014 to 9 March 2040; and

- Estimate the operation and maintenance costs for the Suiyuenan Expressway from 1 January 2014 to 9 March 2040.

The detail scope of works includes:

- Forecast the regional economic development trend;

- Analyze trends of the regional traffic growth;

- Understand the future development of road network in the adjoining area;

- Conduct an independent traffic survey;

- Develop a traffic and revenue forecast model;

- Screen, collate and calibrate the basic data prior to adopting in the traffic forecast model; and

- Prepare an operation and maintenance costs estimate report.

3. RELEVANT INFORMATION AND DATA

The Study was carried out in 2012 based on the following information：

- The historical GDP (till 2011) and planning data of Jianli, Tianmen, Xiantao, Qianjiang, Suizhou, Wuhan,Yueyang, Hubei, Hunan, Shaanxi, Henan, Guangdong and the planned GDP targets for the above provinces and cities;

- The traffic, toll revenue information of the Suiyuenan Expressway provided by the Suiyuenan Expressway Management Company including :

  (1) Monthly passenger traffic data for each cross section of the Suiyuenan Expressway from March 2010 to July 2012;

  (2) Monthly goods traffic data for each cross section of the Suiyuenan Expressway from March 2010 to July 2012;

  (3) Monthly traffic data for each cross section of the Suiyuenan Expressway from March 2010 to July 2012;

  (4) Monthly exit and entrance traffic data from the four toll stations from March 2010 to July 2012 for the Suiyuenan Expressway;

  (5) Monthly OD traffic data from September 2011 to July 2012 for the Suiyuenan Expressway;

  (6) Monthly toll revenue from March 2010 to July 2012 for the Suiyuenan Expressway;

  (7) Daily passenger traffic data for each cross section of the Suiyuenan Expressway for National Day of 2011, Spring Festival, Qingming, Labour Day of 2012;

  (8) Daily toll revenue of the Suiyuenan Expressway for National Day of 2011,Spring Festival, Qingming, Labour Day of 2012;

  (9) Passenger traffic data for each cross section of the Suiyuenan Expressway from 16 August 2012 to 17 August 2012;

  (10) Goods traffic data for each cross section of the Suiyuenan Expressway from 16 August 2012 to 17 August 2012;

  (11) OD traffic data from 16 August 2012 to 17 August 2012 for the Suiyuenan Expressway;

- The independent 24 hours traffic survey data conducted at Xiantao and Jianli service areas conducted by the Consultants from 8 am 16 August 2012 to 8 am17 August 2012 at the Suiyuenan Expressway;

- The independent traffic survey data conducted by the Consultants from 10 am to 12 am and 2 pm to 4 pm on 16 August 2012 at S103;

- The raw traffic data of the expressways network of Hubei province from 16 August 2012 to 17 August 2012;

- The documents approving the establishment of toll stations along the Suiyuenan Expressway;

- The documents approving the existing toll rates for the Suiyuenan Expressway;

- The document concerning the toll charge by weight policy for goods vehicles for the Suiyuenan Expressway;

- Hubei Provincial Highway Network Planning information; and

- Other relevant national Specifications.

In 2014, the Consultants made reference to the latest traffic and revenue data; latest GDP information and the updated road network planning to carry out the revised forecast. Updated information includes:

- The GDP (from 2012to 2013) and planning data of Jianli, Tianmen, Xiantao, Qianjiang, Suizhou, Wuhan, Yueyang, Hubei, Hunan, Shaanxi, Henan, Guangdong and the planned GDP targets for the above provinces and cities;

- The traffic, toll revenue information of the Suiyuenan Expressway provided by the Suiyuenan Expressway Management Company including :

  (1) Monthly passenger traffic data for each cross section of the Suiyuenan Expressway from August 2012 to July 2014;

  (2) Monthly goods traffic data for each cross section of the Suiyuenan Expressway from August 2012 to July 2014;

  (3) Monthly traffic data for each cross section of the Suiyuenan Expressway from August 2012 to July 2014;

  (4) Monthly exit and entrance traffic data from the four toll stations from August 2012 to July 2014 for the Suiyuenan Expressway;

  (5) Monthly OD traffic data from August 2012 to July 2014 for the Suiyuenan Expressway;

  (6) Monthly toll revenue fromAugust 2012 to July 2014 for the Suiyuenan Expressway;

  (7) Passenger traffic data for each cross section of the Suiyuenan Expressway from 28 September 2014 to 29 September 2014;

  (8) Goods vehicles traffic data for each cross section of the Suiyuenan Expressway from 28 September 2014 to 29 September 2014;

- The independent 24 hours traffic survey data conducted at Xiantao service areas conducted by the Consultants from 8 am 28 September 2014 to 8 am 29 September 2014 at the Suiyuenan Expressway;

- The documents approving the extension of the concession period for the Suiyuenan Expressway;

- Hubei Provincial Highway Network construction progress information; and

- Updated Hubei Provincial Highway Network Planning information.

4. TRAFFIC AND REVENUE FORECASTING METHODOLOGY

The traffic and revenue forecast is based on conventional method widely adopted for the forecasting of traffic and toll revenue for expressway with a closed toll collection system and has been widely adopted to similar toll road traffic forecast in the PRC. The traffic and revenue forecasting methodology for the Study is given in the Figure 2.

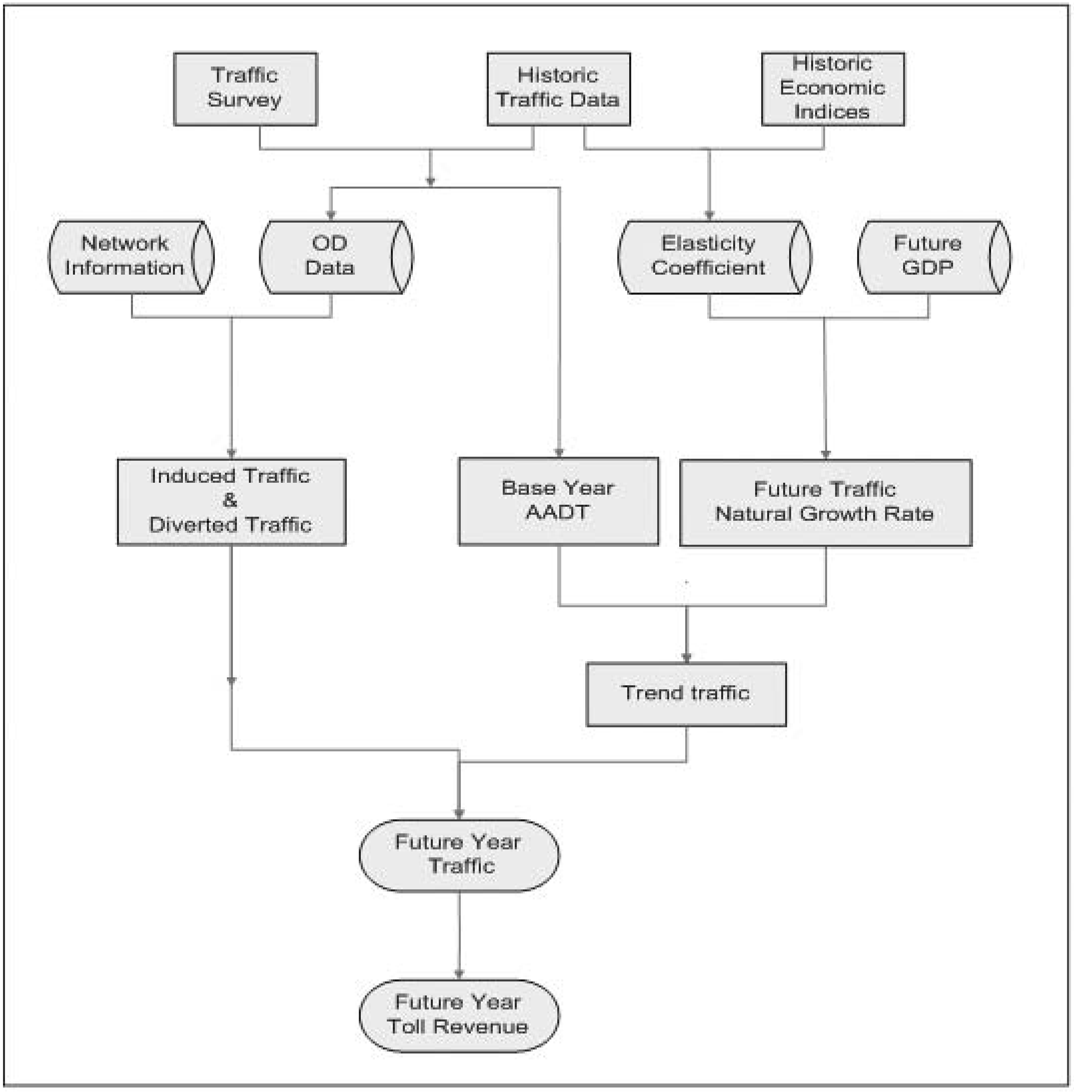

Figure 2 Traffic and Revenue Forecast Model

Notes:

- OD

  OD means "Original" and "Destination" of a vehicle and a pair of OD data can be used to determine the route chosen by a vehicle.

- AADT

  AADT is "Average Annual Daily Traffic" and when multiply by 365 will give the annual traffic volume.

5. MAJOR ASSUMPTIONS

5.1 Factors affecting the result of the traffic and toll revenue forecast

5.1.1 The Consultants have based on published data from the national authority and the research results from international organizations to determine the future GDP growth factors. However, the GDP growth in future years would be affected by the trend of the international economic development, macro economical control policy in PRC, regional industrial policy and other unpredicted social, economic and natural events. Therefore, over the forecast period, there will be a risk that the actual GDP growth values will be higher or lower than the predicted values;

5.1.2 The Consultants have assumed that the current toll free policy for goods vehicle carrying agricultural products along the entire toll road starting from 1 December 2010 would continue throughout the concession period of the Suiyuenan Expressway. The toll free goods vehicles carrying agricultural products represent about11% of the total traffic volume along the Suiyuenan Expressway. If there is any change in this policy, the toll revenue for the Suiyuenan Expressway will increase or decrease according to the change in the regulations.

5.1.3 Due to a very high percentage of long distance traffic along the Suiyuenan Expressway, the completion of new expressways adjacent to the Suiyuenan Expressway will result in either positive or negative impact on the traffic using the Suiyuenan Expressway. Based on information collected during the due diligence site visit, the following new expressways will be completed in the next few years:

- Section between Songzi and Yueyang of Yueyang to Yichang Expressway;
- Yichang section of Yueyang to Yichang Expressway;
- Section between Honghu and Jianli of Wuhan to Jianli Expressway;
- Section between Dongyuemiao and Lixianof the Erguang Expressway
- Section between Changde and Shaoyang of the Erguang Expressway;
- Section between Yueyang and Changsha of the Duplication of the Beijing Hong Kong Macau Expressway in Hunan;
- Jianli to Jiangling Expressway;

- Xiaogan section of Wuhan City Circle Expressway;

- Section between Linxiang and Junshan of Yueyang to Yichang Expressway;

- Widening of the Beijing Hong Kong Macau Expressway Hubei Northern Section from 2016 to 2017; and

- Zaoyang to Qianjiang Expressway.

If the completion dates of any of the above expressways is advanced or delayed, the traffic and toll revenue forecast will be affected.

5.1.4 The State Council agreed to the implementation of free passage policy for small passenger carsin major holidays in July 2012. Passenger vehicles with less or equal to 7seats using all the toll highway including expressway and ordinary toll highway will notbe charged any toll in the Spring Festival, Qingming, Labour Day, National Day holidays and other days in those four national holidays formulated by the State Council. This policy is implemented from National Day of 2012. If there is adjustment of the policy during the concession period, the traffic and revenue will change accordingly.

5.1.5 The Consultants conducted a traffic survey along S103 to check if there is any impact on the traffic forecast for Suiyuenan Expressway from the Provincial Highway because the section between Jianli and Bailuo of S103 is one parallel highway to Suiyuenan Expressway.

The outcome of the traffic survey is discussed below:

Provincial Highway S103 is a two lanes highway which passes through many local villages. The Consultants conducted a traffic survey on the S103.The traffic survey showed that the traffic volume was less than 150 vehicles per hour even in the peak hour period. Most of the traffic was related to local domestic activities of the surrounding residents. There were a large number motorcycles and tricycles travelling on the highway which have interfered the motorist traffic on the S103. Based on the above findings, the Consultants are of the opinion that S103 would not pose any material diversion impact on the traffic of Suiyuenan Expressway.

5.2 **Expressways under construction that will have an impact on the traffic and toll revenue of the Suiyuenan Expressway**

Table 1 Planned Completion Dates of New Expressways or Widening Expressway Adjacent to the Suiyuenan Expressway that will have an Impact on the Traffic and Toll Revenue Forecast

Name of Expressway	Planned Opening Date
Section between Songzi and Yueyang of Yueyang to Yichang Expressway	At the end of 2014
Yichang section of Yueyang to Yichang Expressway	At the end of 2015
Section between Honghu and Jianli of Wuhan to Jianli Expressway	At the end of 2015
Section between Dongyuemiao and Lixian of theErguang Expressway	At the end of 2015
Section between Changde and Shaoyang of the Erguang Expressway	At the end of 2016
Section between Yueyang and Changsha of the Duplication of The Beijing Hong Kong Macau Expressway in Hunan	At the end of 2016
Jianli to Jiangling Expressway	At the end of 2016
Xiaogan section of Wuhan City Circle Expressway	At the end of 2017
Section between Linxiang and Junshan of Yueyang to Yichang Expressway	At the end of 2017
Widening of the Beijing Hong Kong Macau Expressway Hubei Northern Section	2016-2017
Zaoyang to Qianjiang Expressway	At the end of 2018

5.3 Road Capacity

Levels of service for highways are defined in the Highway Capacity Manual of the Transportation Research Board of the United States of America. Levels of service refer to the traffic conditions on the road and are used in the calculation of road traffic capacity. For each level of service, a different Road Traffic Capacity is defined which signifies the traffic volume that can travel on the road without delay as a consequence of road congestion. The levels of service, from A to F, are listed in Table 2.

Table 2 Definition of Levels of Service for Highways

Level of Service	Definition
Level of Service A	Free traffic volume; drivers are not affected by other drivers and enjoy a high degree of freedom in the choice of travelling speeds and manoeuvres.
Level of Service B	Stable traffic volume; drivers maintain a relatively high degree of freedom in the choice of travelling speeds and manoeuvres whilst being required to be aware of other drivers.
Level of Service C	Stable traffic volume; although drivers are required to be more alert and are restricted in the choice of travelling speeds and manoeuvres.
Level of Service D	Dense but stable traffic volume; relatively greater restrictions on the choice of travelling speeds and manoeuvres.
Level of Service E	Generally unstable traffic volume; operations close to maximum capacity, travelling speeds significantly reduced and manoeuvres highly restricted.
Level of Service F	Operations beyond maximum capacity; congested traffic volume and periodic halts.

The designed Road Traffic Capacities in PRC are derived from the latest guideline of the "Technical Standard of Highway Engineering (JTG B01-2003)" published in March 2003 by the Ministry of Communications. In this guideline, the levels of service of highway are classified into four grades (i.e. Grade 1-4). In this study, the Road Traffic Capacity of the Expressway was estimated at a level of service Grade 3 (which is similar to the level of service D as defined in the American Standard).

Figure 3 Level of Service A

Figure 4 Level of Service B

Figure 5 Level of Service C

Figure 6 Level of Service D

Figure 7 Level of Service E

Figure 8 Level of Service F

The Road Traffic Capacity calculation is estimated from a number of variables such as peak hour factors, directional factors and vehicle compositions. These factors are determined from the result of the 24-hours traffic survey, entry and exit information of each vehicle obtained from the toll collection system, vehicle composition, road geometry, design speed and other relevant references.

The Road Traffic Capacity is derived from the formula below.

C_D = [C_B x (V/C) x N x F_W x F_P x F_{hv}] / PHF / F_D

Where:

C_D - Design Daily Road Traffic Capacity in Passenger Car Unit (PCU);

C_B - Basic traffic capacity per lane, 2,150 PCU/h;

V/C - Volume Capacity Ratio, 0.87 in this case;

N - Number of traffic lanes in one direction; 2 in this case;

F_W - Correction factor for the effect of road width and marginal strip width on traffic capacity, 0.95 in this case;

F_P - Correction factor for the effect on drivers on the traffic capacity, 0.96 in this case;

F_{hv} - Correction factor for the effect of heavy vehicles on traffic capacity, 0.742 in this case;

PHF - Peak Hour Factor,6.2% in this case; and

F_D - Directional Flow Factor,0.6 in this case.

The Suiyuenan Expressway is designed to a dual 2-lane expressway standard with hard shoulder. The design speed is 100 km/h but a speed limit of 110 km/h has been specified along the Expressway. Using the speed limit specified along the Expressway and adopting a Class 3 level of service, the Road Traffic Capacity for the Suiyuenan Expressway is 68,000PCU (Passenger Car Unit).

The traffic forecast estimates the number of vehicles using the Suiyuenan Expressway. Therefore, it is necessary to convert the vehicles per day into PCU when estimating the Class of service of the Suiyuenan Expressway and the Road Traffic Capacity during the concession period. Each vehicle will be converted into a standard Passenger Car Unit (PCU) in order to achieve the above objective. For example, a 4-seats passenger car (passenger vehicle class 1 in table 3) is equivalent to 1.0 PCU; a 20-seats passenger car(passenger vehicle class 3 in table 3) is equivalent to 1.5 PCU;a goods vehicle which is allowed to carry goods less than 2 tons(goods vehicle class 1 in table 3) is equivalent to 1.0 PCU; a goods vehicle which is allowed to carry goods more than 20 tons (goods vehicle class 6 in table 3) is equivalent to 3.0 PCU.

Using the vehicle composition at different section of the Suiyuenan Expressway during different years of operation, the estimated Road Traffic Capacity will be 34,000 vehicles per day approximately with a variance of +/-5%. When a section of the expressway reaches the Road Traffic Capacity of Class 3 standard, traffic will continue to grow slowly but the average speed of travel of vehicles during peak hours may be lower than Class 3 standard.

5.4 **Toll Rates**

Toll Rates for Different Vehicle Classification

Table 3 Toll Rate for Different Vehicle Classification

Vehicle class		**Classification Standard**	**Toll Rate (RMB Yuan/km)**
Passenger Vehicles (PV)	1	≤5 seats	0.7
	2	6~17 seats(included)	0.7
	3	18~30 seats; ≤25 seats sleeping car	1.313
	4	31~50 seats; ≥26 seats sleeping car	1.75
	5	≥51 seats	2.1
Goods Vehicles (GV)	1	≤2 tons	0.7
	2	>2 tons, ≤5tons	1.313
	3	>5 tons, ≤10tons	1.75
	4	>10 tons, ≤15tons	2.1
	5	>15 tons, ≤20tons	2.45
	6	>20 tons	An increase of 0.7 Yuan / vehicle km for each additional five tons over the charge rate of the GV 5

Weight Based Toll Rates for Goods Vehicles

Table 4 Weight Based Toll Rates for Goods Vehicles

Classification		Toll Rate
Normal Loading Part	Basic Toll Rate 1	RMB 0.11 Yuan/ton-km
	Normal Loading Part≤10 tons	Basic toll rate 1
	Normal Loading Part>10 tons and Normal Loading Part≤40 tons	Decline from basic toll rate 1 to 50% of basic toll rate 1 (calculated method is same to the normal loading part)
	Normal Loading Part>40 tons	50% of the basic toll rate 1
Over-weight Part	Basic Toll Rate 2	0.10 Yuan/ton-km
	Over-weight Rate≤30%	Basic toll rate 2（calculated method is same to the normal loading part）
	Over Weight Rate>30% Over Weight Rate ≤100%	The toll charge for the normal loading part is calculated by the basic toll rate 1, the toll charge for the over-weight portion below 30%(30% is included) will be calculated using the basic toll rate 2; other part is calculated by linear increase from 1 to 4 times of the basic toll rate 2 from 30% to 100% over-weight.
	Over weight Rate >100%	The toll charge for the normal loading part is calculated by the basic toll rate 1, the toll charge for the over-weight portion below 30%(30% is included) will be calculated using the basic toll rate 2; other part is calculated using 5 times basic toll rate 2.

Note:

Normal loading of a goods vehicle is the sum of net weight of an empty goods vehicle plus the allowable weight of goods to be carried. Depending on the number of axles and type of goods vehicle, the net weight and allowable weight of goods to be carried is specified in the vehicle registration. When a goods vehicle enters into a toll gate, it will be weighted automatically by a weight bridge and the number of axles will also be determined automatically. For example, a three axle vehicle's normal loading is 25 tons. If the weight recorded by the weight bridge is below 25 tons, it will only be charged at the normal loading rate. If the weight recorded exceeds 25 tons, the charge will be the sum of the normal loading rate plus the over weight rate calculated according to the percentage of over weight of the goods vehicle.

Normally all Goods Vehicles are charged according to the "weight based toll rates" standard as described in Table 4. The toll rates for Goods Vehicles in Table 3 are only applicable in emergency when the weighting equipment in toll station is out of service.

For the purpose of calculating toll revenue from Goods Vehicles in the revenue forecast model, "weight based toll rates" has been used for all the revenue forecasting cases.

6. SUMMARY OF TRAFFIC FORECAST PROJECTION

The base year for the traffic and revenue forecast is 2014. Tables 5 to 9 show the result of the traffic and toll revenue forecast:

Table 5 Average Annual Daily Traffic for the Suiyuenan Expressway (vehicles per day)

Year	Optimistic	Conservative
2014	9,629	9,503
2015	11,077	10,627
2016	12,112	11,392
2017	14,074	13,047
2018	15,260	13,937
2019	16,973	15,352
2020	18,832	16,881
2021	20,738	18,523
2022	22,725	20,220
2023	24,791	21,965
2024	26,836	23,701
2025	28,674	25,221
2026	30,592	26,800
2027	32,474	28,436
2028	34,227	30,128
2029	35,774	31,867
2030	36,849	33,435
2031	37,725	34,968
2032	38,506	36,219
2033	39,184	36,962
2034	39,741	37,562
2035	40,174	38,053
2036	40,484	38,431
2037	40,749	38,678
2038	40,968	38,881
2039	41,141	39,040
2040	41,266	39,154

Table 6 Annual Average Traffic Growth Rates

Year	Optimistic	Conservative
2014	—	—
2015	15.0%	11.8%
2016	9.3%	7.2%
2017	16.2%	14.5%
2018	8.4%	6.8%
2019	11.2%	10.2%
2020	11.0%	10.0%
2021	10.1%	9.7%
2022	9.6%	9.2%
2023	9.1%	8.6%
2024	8.2%	7.9%
2025	6.8%	6.4%
2026	6.7%	6.3%
2027	6.2%	6.1%
2028	5.4%	5.9%
2029	4.5%	5.8%
2030	3.0%	4.9%
2031	2.4%	4.6%
2032	2.1%	3.6%
2033	1.8%	2.1%
2034	1.4%	1.6%
2035	1.1%	1.3%
2036	0.8%	1.0%
2037	0.7%	0.6%
2038	0.5%	0.5%
2039	0.4%	0.4%
2040	0.3%	0.3%

Table 7 Average Annual Daily Traffic for every section of the Suiyuenan Expressway (Optimistic Base)

Section Between		Suiyuezhong and Zhuji intersection	Zhuji intersection And Chenchang	Chenchang and Xingou	Xingouand Jianli	Jianli And Zhuhe	Zhuhe and Wujian Intersection	Wujian intersection and Bailuo
Length (km)		1.0	17.2	16.1	22.8	18.6	17.0	5.5
Average Annual Daily Traffic (vehicle/day)	2014	8,429	9,945	9,506	9,611	9,188	9,909	9,909
	2015	9,349	11,545	10,910	11,055	10,428	11,471	11,471
	2020	15,687	19,736	18,529	18,786	17,553	19,532	19,797
	2025	24,270	29,983	28,281	28,622	26,838	29,622	29,999
	2027	27,602	34,091	32,158	32,535	30,487	33,256	33,256
	2028	29,369	36,112	34,215	34,609	32,422	34,110	34,111
	2029	31,200	37,179	36,345	36,256	34,424	35,120	35,121
	2030	33,092	38,162	37,669	37,221	35,636	36,051	36,052
	2031	35,045	39,053	38,556	38,097	36,469	36,896	36,897
	2035	40,594	41,540	41,042	40,550	38,793	39,258	39,260
	2040	41,680	42,646	42,174	41,667	39,836	40,325	40,326

Table 8 Average Annual Daily Traffic for every section of the Suiyuenan Expressway (Conservative Base)

Section Between		Suiyuezhong and Zhuji intersection	Zhuji intersection And Chenchang	Chenchang and Xingou	Xingouand Jianli	Jianli and Zhuhe	Zhuhe and Wujian Intersection	Wujian intersection and Bailuo
Length (km)		1.0	17.2	16.1	22.8	18.6	17.0	5.5
Average Annual Daily Traffic (vehicle/day)	2014	8,319	9,815	9,382	9,486	9,068	9,780	9,780
	2015	9,053	11,052	10,474	10,607	10,038	10,987	10,987
	2020	14,135	17,674	16,607	16,835	15,747	17,496	17,808
	2025	21,456	26,344	24,871	25,168	23,629	26,039	26,474
	2029	27,148	33,315	31,458	31,814	29,835	32,869	33,348
	2030	28,684	35,195	33,235	33,606	31,507	33,857	33,858
	2031	30,262	36,739	35,060	35,446	33,224	34,712	34,713
	2034	35,234	38,869	38,396	37,937	36,302	36,733	36,734
	2035	36,985	39,360	38,888	38,423	36,761	37,201	37,202
	2040	39,547	40,462	40,014	39,534	37,800	38,262	38,264

Note:

1. For the Optimistic Traffic Forecast Case, the section between Zhuhe and Wujian Interchange and section between Wujian Interchange and Bailuo will reach their road traffic capacity in 2027; the section between Zhuji Interchange and Chenchang and section between Xingou and Jianliwill reach their road traffic capacity in 2028; the section between Chenchang and Xingou and section between Jianli and Zhuhewill reach their road traffic capacity in 2029; from 2031 onward, all sections of the Suiyuenan Expressway will reach their road capacity.

2. For the Conservative Traffic Forecast Case, the section between Wujian Interchange and Bailuo will reachits road traffic capacity in 2029; the section between Zhuhe and Wujian Interchange will reach its road traffic capacity in 2030; the section between Zhuji Interchange and Chenchang, section between Chenchang and Xingou, section between Xingou and Jianli and section between Jianli and Zhuhewill reach their road traffic capacity in 2031; from 2034 onward, all sections of the Suiyuenan Expressway will reach their road capacity.

Table 9 Annual Toll Revenue (in million RMB)

Year	Optimistic	Conservative
2014	431	426
2015	495	475
2016	539	507
2017	625	580
2018	676	618
2019	750	679
2020	830	744
2021	911	815
2022	996	887
2023	1,083	961
2024	1,170	1,034
2025	1,246	1,098
2026	1,326	1,164
2027	1,404	1,232
2028	1,475	1,302
2029	1,538	1,374
2030	1,581	1,438
2031	1,614	1,500
2032	1,644	1,550
2033	1,669	1,579
2034	1,689	1,601
2035	1,704	1,619
2036	1,714	1,633
2037	1,723	1,641
2038	1,729	1,647
2039	1,734	1,652
2040	324	308

Explanation on forecast result:

A. ***Impact from main factors***

Other than traffic growth due to GDP growth, a combination of different factors has affected the traffic growth rate from 2015 to 2020. The main factors include:

(i) In 2015, the traffic corridor of Suiyue Expressway continues to become more mature and therefore, there is a continuous substantial traffic growth along the Suiyue Expressway. The Suiyuenan Expressway forms part of the Suiyue Expressway corridor and benefits from this continuous traffic growth rate.

(ii) In 2016, the widening of the Hubei Section of the Jinggang'ao Expressway will commence and will continue through 2017. The road widening work will impact the traffic of Jinggang'ao Expressway. Some of the traffic along the Jinggang'ao Expressway will shift to the parallel Suiyue Expressway corridor resulting in aincreased traffic of 2016 for Suiyuenan Expressway.The opening of the section between Dongyuemiao and Lixian of Erguang Expressway and the Yichang section of Yueyang to Yichang Expressway at the end of 2015 will divert some traffic along the Suiyuenan Expressway. The combined impact of these factors has resulted in a slowdown of traffic growth rate.

(iii) The Yueyangto Changsha Section of Duplicated Section of the Jinggang'ao Expressway in Hunanwill open at the end of 2016, and then the whole length of the Duplicated Section of the Jinggang'ao Expressway in Hunan will open to traffic. This will attract more traffic for the Suiyuenan Expressway and result in a high level of the traffic growth rate from 2017. After the completion of the widening of the Jinggang'ao Expressway of Hubei Section at the end of 2017, part of thediverted traffic (referred to in paragraph(ii)) will shift back to the Jinggang'ao Expressway. The opening of the section between Linxiang and Junshan of Yueyang to Yichang Expressway at the end of 2017 will also divert some of the traffic along the Suiyuenan Expressway. The combined impact of these three factors has resulted in a low traffic growth rate of the Suiyuenan Expressway in 2018, and is even lower than the growth rate in 2019.

B. The concession period will expire on 9 March 2040 and therefore, there are only 68 days for the revenue forecast.

7. OPERATION AND MAINTENANCE COSTS ESTIMATE

The Consultants have estimated the operation and maintenance costs for the Suiyuenan Expressway based on the following information:

A. Quantity of different types of maintenance works;

B. Quality of the Suiyuenan Expressway;

C. Current maintenance contracts;

D. Unit price of various types of maintenance works;

E. The historical data of operation and maintenance; and

F. Information collected during the interview with staff and senior management of the Suiyuenan Expressway.

Maintenance works can be classified into routine maintenance, special maintenance and major maintenance. Routine maintenance works are required regularly to keep the expressway in a good working condition. Special maintenance works are executed to rectify isolated defects of pavement, structures and E and M equipment. Major maintenance works are required to reinstate the expressway back to a high level of serviceability condition. In China, major maintenance works for expressway are generally executed every ten years.

The existing routine maintenance contract, effective from March 2013 to March 2016, which provide information on items A, C, D and E are kept by the Suiyuenan Expressway Company and the Consultants have inspected and extracted the relevant information, including the quantity of maintenance works and unit rates from this contract, for use as the basis of estimation of routine maintenance cost. The estimation is complemented by the Consultants in house data-base of unit costs built up from their extensive experience in estimation of maintenance costs for expressways in China.

The routine maintenance contract was signed after evaluation of tenders submitted by tenderers. The contract has adopted standard PRC Conditions of Contracts. Special maintenance contracts are related to execution of special tasks and the duration and nature of each contract is dependent on the type of special maintenance works. Major maintenance works have not yet been carried out by the Suiyuenan Expressway Company. The estimation of timing, quantity and cost for the major maintenance works is estimated from the quality of the existing works assessed during the DD and unit rates of major maintenance works are obtained from the Consultants in house dada base.

The result of the operation and maintenance costs is presented in the following table.

Table 10 Operation and Maintenance Costs (RMB10,000)

Year	Operation and Maintenance Costs	Year	Operation and Maintenance Costs
2014	5,426	2028	7,260
2015	6,180	2029	7,723
2016	6,641	2030	7,887
2017	5,998	2031	8,475
2018	6,296	2032	8,481
2019	6,597	2033	23,605
2020	6,901	2034	23,784
2021	7,244	2035	16,494
2022	21,189	2036	16,928
2023	21,357	2037	8,538
2024	14,711	2038	8,862
2025	14,600	2039	14,190
2026	7,214	2040	1,746
2027	7,640		

The main conclusions of the operation and maintenance costs estimate are:

I. It is estimated that two major pavement maintenances will be conducted in 2022 and 2033. The estimated cost will be RMB 294 million and RMB 323 million respectively. The major maintenance cost will be spread in two years.

II. It is estimated that two major bridge maintenances will be conducted in 2024 and 2035. The estimated cost is RMB 156 million and RMB 172 million respectively. The major maintenance cost will be spread in two years.

III. A sum of RMB 50 million has been allowed in 2039 for improvement of the quality of the Suiyuenan Expressway before transfer of the Suiyuenan Expressway back to the authority.

8. CONCLUSIONS

The Consultants conclude that the Traffic and Toll Revenue Forecast and the Operation and Maintenance Costs Estimate Report prepared from the above methodology and assumptions are in line with common professional practice. The forecast results can be used by the Company as a reference document for the valuation of the Suiyuenan Expressway as long as the risk factors are fully considered. Full details of the Study and data are presented in the "Hubei Province Suiyuenan Expressway Traffic Study Report".

Yours sincerely,
Albert Cheung Chung Hoi
FHKIHT, FIHT, FHKIE, MICE
Managing Director
Jie Cheng Consultants Limited

Albert Cheung is a Fellow of the Hong Kong Institution of Engineers, Hong Kong Institution of Highways and Transportation and Institution of Highways and Transportation, UK. He is also a Member of the Institution of Civil Engineers, UK. He is the Managing Director of Jie Cheng Consultants Ltd and has over 39 years of experience in conducting investigation, feasibility study, design, construction supervision and technical audit of multi-disciplinary infra-structures projects in Mainland China and Hong Kong. He has specialized in conducting due diligence study for toll highways since 1990 and has been the Project Director for a traffic consultant company assisting infra-structure company IPO listing in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Directors and chief executive

Save as disclosed below, as at the LPD, none of the Directors or chief executive of the Company had, or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Interest in the Company or its associated corporations	Capacity in holding interest	Approximate % of shareholding in the total issued shares	Long position	Short position
Mr. Liang Youpan	Yuexiu Property Company Limited	Beneficial owner	0.017	2,158,660 shares	Nil
Mr. He Baiqing	Company	Beneficial owner	0.003	52,000 shares	Nil
Mr. Qian Shangning	Company	Beneficial owner	0.015	250,000 shares	Nil
Mr. Fung Ka Pun	Yuexiu Property Company Limited	Beneficial owner	0.019	2,354,100 shares	Nil
Mr. Lau Hon Chuen Ambrose	Company	Beneficial owner	0.012	195,720 shares	Nil
	Yuexiu Property Company Limited	Beneficial owner	0.039	4,841,200 shares	Nil

(b) **Substantial Shareholders**

As at the LPD, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meetings of the Company:

Name	**Capacity in holding interest**	**Long/Short position/ Lending pool**	**Approximate % of shareholding in Shares**	**Number of Shares held**
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) *(Note 1)*	Interest of controlled corporations	Long position	60.65	1,014,796,050
	Interest of controlled corporations	Short position	16.45	275,269,886
Yue Xiu Enterprises (Holdings) Limited *("Yue Xiu Enterprises") (Notes 1 & 2)*	Beneficial owner and interest of controlled corporations	Long position	60.65	1,014,796,050
	Interest of controlled corporations	Short position	16.45	275,269,886
Grace Lord Group Limited *(Note 2)*	Beneficial owner	Long position	34.57	578,428,937
First Dynamic Limited *(Note 3)*	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited *(Notes 2 & 3)*	Beneficial owner	Long position	21.96	367,500,000
Matthews International Capital Management, LLC	Investment manager	Long position	11.05	184,973,000

Name	Capacity in holding interest	Long/Short position/ Lending pool	Approximate % of shareholding in Shares	Number of Shares held
JP Morgan Chase & Co. *(Note 4)*	Beneficial owner	Long position	1.13	18,975,445
	Beneficial owner	Short position	0.02	326,700
	Investment manager	Long position	4.17	69,720,699
	Custodian corporation/ approved lending agent	Long position	0.91	15,328,700

Notes:

(1) The entire issued share capital of Yue Xiu Enterprises is owned by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of Yue Xiu Enterprises in the capital of the Company as described in note(2) below. According to the corporate substantial shareholder notice filed by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited), 275,269,886 shares out of its interest in the Shares were listed derivative interests (physically settled).

(2) Yue Xiu Enterprises was interested in an aggregate of 1,014,796,050 Shares (long position) of which 8,653 Shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu Enterprises is also deemed to be interested in the balance of 1,014,787,397 Shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited. According to the corporate substantial shareholder notice filed by Yue Xiu Enterprises, 275,269,886 Shares out of its interest in the Shares were listed derivative interests (physically settled). Yue Xiu Enterprises' interest in short position was held through its wholly-owned subsidiary, namely Asia View Limited.

(3) First Dynamic Limited, a wholly-owned subsidiary of Yue Xiu Enterprises, owned the entire issued share capital of Housemaster Holdings Limited. By virtue of the SFO, First Dynamic Limited was deemed to be interested in the 367,500,000 Shares held by Housemaster Holdings Limited.

(4) According to the corporate substantial shareholder notice filed by JP Morgan Chase & Co., (i) 12,731,232 shares out of its interest in the Shares were long position in unlisted derivative interests (physically settled); (ii) 900,000 shares out of its interest in the Shares were long position in unlisted derivative interests (cash settled); and (iii) 26,700 shares out of its interest in the Shares were short position in derivatives listed or traded on a stock exchange or traded on a futures exchange (physically settled). JP Morgan Chase & Co. also had a lending pool of 15,328,700 Shares representing approximately 0.91% of the Company's entire issued share capital.

Save as disclosed above, as at the LPD, so far as is known to the Directors or chief executive of the Company, there was no person (other than the Directors and chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

(c) **Interests in other members of the Group**

Save as disclosed below, so far as is known to any Director or chief executive of the Company, as at the LPD, no person (other than members of the Group) was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the members of the Group (other than the Company).

Name of subsidiaries	**Name of substantial shareholders**	**Approximate % of interest held**
廣州市南新公路發展有限公司 (Guangzhou Nanxin Highways Development Company Limited*)	廣州市高速公路有限公司 (Guangzhou Expressway Co., Ltd.*)	20
廣州市太龍公路發展有限公司 (Guangzhou Tailong Highways Development Company Limited*)	廣州市高速公路有限公司 (Guangzhou Expressway Co., Ltd.*)	10
廣州市維安公路發展有限公司 (Guangzhou Weian Highways Development Company Limited*)	廣州市高速公路有限公司 (Guangzhou Expressway Co., Ltd.*)	20
廣州市新廣公路發展有限公司 (Guangzhou Xinguang Highways Development Company Limited*)	廣州市高速公路有限公司 (Guangzhou Expressway Co., Ltd.*)	10
廣州市北二環高速公路有限公司 (Guangzhou Northern Second Ring Expressway Co., Ltd.*)	廣州市高速公路有限公司 (Guangzhou Expressway Co., Ltd.*)	30
	廣東省公路建設有限公司 (Guangdong Expressway Construction Co., Ltd*)	10
湖南越通路橋發展有限公司 (Hunan Yue Tung Highway and Bridge Development Company Limited*)	中國湘潭湘橋發展股份有限公司 (China Xiangtan Xiangqiao Development Joint Stock Company*)	10
Yan Tung Investment Limited	Festoon Enterprises Limited	16.67
天津津富高速公路有限公司 (Tianjin Jinfu Expressway Co., Ltd*)	天津高速公路集團有限公司 (Tianjin Expressway Group Co., Ltd.*)	40

Name of subsidiaries	Name of substantial shareholders	Approximate % of interest held
湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Ltd.*)	湖南中和威特投資有限公司 (Hunan Zhonghe Weite Investment Company Limited*)	10
梧州市越新赤水碼頭有限公司 (Wuzhou Yue Xin Chishui Terminal Company Limited*)	新粵(廣州)投資有限公司 (Xin Yue (Guangzhou) Investment Company Limited*)	25
	梧州市交通投資開發有限公司 (Wuzhou City Transport Investment Development Limited*)	24

Mr. Zhu Chunxiu, a Director, is also a director of each of Guangzhou Yue Xiu Holdings Limited, Yue Xiu Enterprises (Holdings) Limited, Grace Lord Group Limited, First Dynamic Limited and Housemaster Holdings Limited. Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The Group has not entered into any contract within the two years immediately preceding the date of this circular which are, or may be, material.

4. SERVICE CONTRACTS OF THE DIRECTORS

As at the LPD, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. FINANCIAL INFORMATION OF THE GROUP FOR THE LAST THREE FINANCIAL YEARS

Please refer to the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 published by the Company on 25 April 2012, 29 April 2013 and 23 April 2014 respectively, which contained information for the three years ended 31 December 2011, 2012 and 2013 with respect to the profits and losses, financial record and position of the Group and the audited consolidated statement of financial position of the Group together with the notes on the annual accounts for the three years ended 31 December 2011, 2012 and 2013. The annual reports are available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website (www.hkexnews.com.hk).

6. WORKING CAPITAL OF THE ENLARGED GROUP

Taking into account the expected completion of the Acquisition and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities (including the banking facilities obtained during the period from 19 September 2014 to 31 October 2014 before the date of this circular), the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

7. INDEBTEDNESS

As at the close of business on 30 November 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the total borrowings of the Enlarged Group was RMB8,851,115,000, comprising of bank borrowings of RMB8,723,970,000 and loans from non-controlling interests of certain subsidiaries of RMB127,145,000. Borrowings of RMB6,156,306,000 were secured by the toll collection rights of the Enlarged Group, the equity interest of the Target Company and a subsidiary of the Group. Borrowings of RMB1,717,640,000 were guaranteed by non-controlling interests or other third parties.

The Enlarged Group has contingent liabilities in relation to Wenzhou Communications as disclosed in the section headed "Letter from the Board — 2. Transfer Agreement — (h) Vendors' Undertakings" in this circular and note 23 of the Accountant's Report.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 30 November 2014.

8. COMPETING INTERESTS

As at the LPD, so far as the Directors were aware, none of the Directors or their respective associates had any interest in businesses that competed or was likely to compete, whether directly or indirectly, with the business of the Group.

9. INTEREST IN ASSETS

As at the LPD, none of the Directors or the experts named in section 13(a) below in this appendix had any direct or indirect interests in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

10. DIRECTORS' INTEREST IN CONTRACTS

As at the LPD, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the LPD which was significant in relation to the business of the Group.

11. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up.

12. LITIGATION

As at the LPD, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group as at the LPD. As at the LPD, the Target Company was involved in an arbitration case as disclosed in the section headed "Letter from the Board — 2. Transfer Agreement — (h) Vendors' Undertakings" in this circular. For the reasons disclosed in the section headed "Letter from the Board — 7. Financial and Trading Prospects for the Financial Year ending 31 December 2015", the Directors believe that the financial and operational positions of the Target Company would not be adversely affected even if the Wuhan Arbitration Commission orders the Target Company to pay the maximum amount of the compensation claimed by Wenzhou Communications.

13. EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinions or advices contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified public accountants
GCA	Independent professional business valuer
Jie Cheng	Independent professional traffic consultant

(b) As at the LPD, none of PricewaterhouseCoopers, GCA or Jie Cheng had direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) PricewaterhouseCoopers, GCA and Jie Cheng have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion therein of their respective letters, reports and reference to their respective names in the form and context in which they appear.

14. GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The head office and principal place of business of the Company is at 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

(c) The branch share registrar and transfer office of the Company is Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Yu Tat Fung, solicitor of the High Court of Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday other than public holidays, up to and including the date which is 14 days from the date of this circular at the principal place of business of the Company at 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong:

(a) the bye-laws of the Company;

(b) the Accountant's Report;

(c) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(d) the valuation report on the Target Company, the text of which is set out in Appendix VI to this circular;

(e) the traffic and revenue forecast prepared by Jie Cheng, the text of which is set out in Appendix VII to this circular;

(f) the letters of consent as referred to in the section headed "Experts and Consents" in this appendix;

(g) the annual reports of the Company for each of the two financial years ended 31 December 2012 and 31 December 2013 respectively; and

(h) this circular.