

Principle Risks and Uncertainties

TOLL BUSINESS RISKS

Economic environment

Various evidences have indicated that the impact of the international financial crisis that broke out in 2008 on the global real economy is deepening. A decline in the growth of the PRC's macro economy is still possible. It is anticipated that toll income from the natural growth of traffic volume on the expressways will drop. The operations, financial position and operating results of the Group may be adversely affected as a result.

Competition

The vehicle diversion as a result of the opening of Hangpu Expressway and Hangzhou Bay Bridge will continue. Zhuyong Expressway will become fully operational in May 2009, which is expected to result in a significant vehicle diversion impact. Therefore, this will lead to competition with Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway of the Group. We cannot guarantee traffic volume on the expressways under the Group will maintain the same level or increase in the future, and that the operating results of the Group will not be affected.

Concession period extension

Since the expansion works of Shanghai-Hangzhou-Ningbo Expressway has been completed, we plan to apply for the extension of the concession period for the construction and management of Shanghai-Hangzhou-Ningbo Expressway and charging tolls from Shanghai-Hangzhou-Ningbo Expressway. We cannot guarantee the Zhejiang Provincial Government will timely approve

the application for extending the concession or that no material delays or serious difficulties will arise in the course of the application for extending the concession period, which may have an adverse impact on the operations, financial position and operating results of the Group.

Toll-by-weight policy

It is anticipated that the toll-by-weight policy for trucks will be implemented in Zhejiang Province in the second half of 2009. This means that tolls will be charged from trucks based on their weight. Although the impact of such measure is still uncertain, we cannot guarantee the Zhejiang Provincial Government will approve a charging policy for trucks which will not adversely affect the toll income of the Group.



SECURITIES BUSINESS RISKS

Market Fluctuations

Our securities business is susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity and may be materially affected by economic and other factors such as global market conditions; the availability and cost of capital; the liquidity of global markets, the level and volatility of equity prices, commodity prices and interest rates currency values and other market indices; inflation, natural disasters; acts of war or terrorism; investor sentiment and confidence in the financial markets. There is no assurance that our securities business will not be adversely affected by fluctuations in the market, or that our securities business will continue to contribute to our overall profit margin.

Regulation of Securities Business

We are subject to extensive regulations in the PRC in which we conduct our securities business and face the risk of intervention by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory action against us could have material adverse financial effects, cause us significant reputational harm, or ham our business prospects. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, see notes 4, 5 and 6 to the Consolidated Financial Statements.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors of the Company duly confirms that, to the best of their knowledge:

- the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the management discussion and analysis included in this annual report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

Year 2009 up to now, there are no substantial events happen that will have material impact on the normal operation of the Group.

For and on behalf of the Board

ZHANG Jingzhong

Executive Director/Deputy General Manager

Hangzhou, Zhejiang Province, the PRC

March 17, 2009