

# Risks and Uncertainties

## TOLL ROAD BUSINESS RISKS

### Economic environment

The rate of China's economic growth has slowed due to the continuous downturn in the global economy. With its heavy reliance on exports, Zhejiang Province has been feeling the impact of the slackened growth in international trade, and automobile sales volume has fallen considerably due to inflationary pressure. Growth in the traffic volume and toll revenue of the Group's expressways is anticipated to remain uncertain in the future, creating uncertainty for the operations, financial position and operating results of the Group as a result.

### Competition

#### Roads

Although the impact of the opening of the Shenjia Huhang Expressway and the Zhuyong Expressway in 2010 on traffic diversions from the Group's two expressways has begun to stabilize, the future opening of the Jiaxing-Shaoxing Cross River Passage at the end of 2011 and new expressways



nearby is expected to cause new traffic diversions from certain sections of the Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway. Therefore, we cannot be assured as to whether traffic volume to be generated on the Group's expressways will be maintained at the same levels as before or will increase in the future, or whether or not the operating results of the Group will be subject to adverse effects.

### Concession period extension

Since the expansion works of the Shanghai-Hangzhou-Ningbo Expressway has been completed, we plan to apply for the extension of the concession period for the construction, management and toll collection of the Shanghai-Hangzhou-Ningbo Expressway. We cannot be assured as to whether the Zhejiang Provincial Government will timely approve the application for extending the concession or whether 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 Policy

Local toll road policies in Zhejiang Province are expected to change due to the introduction of a special project by five ministries and commissions in mid-June 2011 for the rectification of the toll road policy, coupled with the current inflationary pressure and an increase in the prices of petroleum products. Toll standards for vehicle classes and toll calculation methods adopted by expressways in the province are expected to be adjusted further. It is uncertain whether or not changes in toll standards for expressways arising from such adjustments will have an adverse impact on the Group's toll income.

## SECURITIES BUSINESS RISKS

### Market Fluctuations

The securities business is susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity. It may be materially affected by economic and other factors such as the global market conditions; the availability and cost of capital; the liquidity of the global markets; the level and volatility of stock prices, commodity prices and interest rates; currency values and other market indices; inflation; natural disasters; acts of war or terrorism; as well as investor sentiment and confidence in the financial markets. There is no assurance as to whether our securities business will be adversely affected by fluctuations in the market, or whether our securities business will continue to contribute to our overall profit margin.

### Regulation of the Securities Business

We are subject to extensive regulations in the PRC that govern how we conduct our securities business, and we are subject to risks 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 actions against us could have material adverse impacts on our financial position, cause us significant reputational harm, or harm our business prospects. New laws, 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, please see notes 4, 5 and 6 to the Consolidated Financial Statements.

## STATEMENT OF RESPONSIBILITY FROM THE DIRECTORS WITH RESPECT TO THE ANNUAL REPORT AND THE COMPANY'S ACCOUNTS

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

- the consolidated financial statements prepared and subject to disclosure under the 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 cover the enterprises that have been consolidated into the Company; and
- the “Management Discussion and Analysis” section included in this annual report includes a fair review of the development and performance of the business and the position of the Group, covers the enterprises that have been consolidated into the Company and describes the principal risks and uncertainties faced by the Group.

From the beginning of Year 2011 up to now, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board

**Tony ZHENG**

*Company Secretary*

Hangzhou, Zhejiang Province, the PRC

March 20, 2012