

# *Principal Risks and Uncertainties*



## TOLL ROAD BUSINESS RISKS

### Economic Environment

As the global economy continues to struggle for recovery, China's economy is moving into a "new normal" as it downshifts from rapid growth to more moderate levels of growth. The overall economy is still subject to downside pressure to a certain extent. As the expressway toll road business is closely related to the macroeconomy, it is subject to the macroeconomic performance. Growth in the traffic volume and toll revenue of the Group's expressways is expected to remain uncertain, creating uncertainties for the operations, financial conditions and operating results of the Group.

### Roads Competition

The slight diversion impact on traffic from the Jinhua section of the Ningbo-Jinhua Expressway caused by the Dongyang-Yongkang Expressway, which commenced service in July 2015. Accordingly, 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 negatively affected.

### Toll Policy

With the implementation of the toll waiver policy on small passenger vehicles on key festivals and holidays by the PRC government on September 30, 2012, the expressway operators who charge for toll are negatively affected. In addition, due to the introduction of a special project by five ministries and commissions for the rectification of the toll road policy in Zhejiang province, a number of new policies focusing on adjusting the toll policy of expressways within the province were successively issued. At the same time, as the consultation paper "Regulation on Administration of Toll Roads" (《高速公路收費管理條例》) 2015 has not been officially promulgated at present, despite that we expect the possibility of further significant changes in the policies of the expressway industry in the near term is minimal, we cannot be assured that they will not have any adverse effects on the toll revenue of the Group.