

# Social Responsibility Report

This section principally sets out the Company's philosophy, principle and the actual operation and planning in relation to fulfilling its social responsibilities and dealing with the relationship with stakeholders.

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# Overview of Social Responsibility

Corporate development is inseparable from a harmonious environment both internally and externally.



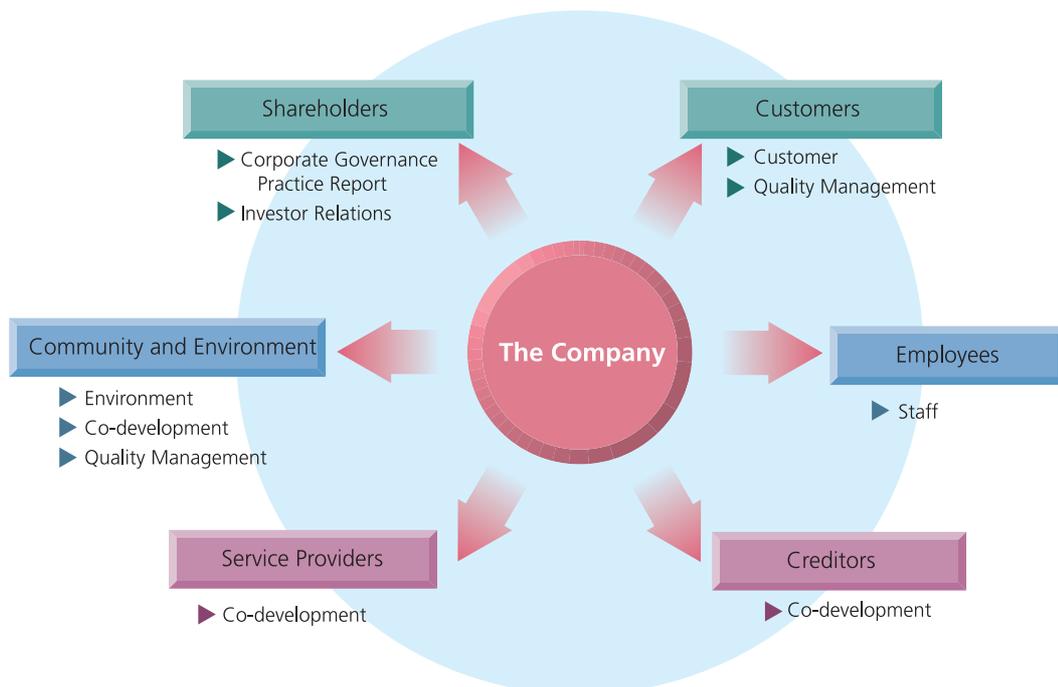
# Overview of Social Responsibility

## Our Strategies for Social Responsibility

- To value the impact of the Company's act on other stakeholders, strengthen the communication and coordination with stakeholders, and create an internal and external environment conducive to development of the Company.
- To utilise resources and protect the environment in a rational manner, and encourage the application of environmental technologies and materials in daily management, project design and construction.
- To make proper planning of charity work and actively fulfill its obligations as corporate citizen.

## Our Understanding of Social Responsibility

- The Company is principally engaged in the construction and acquisition of expressways, which not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, the basic social responsibility of the Company is to provide high quality products and thereby "safe, rapid, economical and comfortable" transportation services to the society.
- While providing products and services and then deriving profits, the enterprises should respect the interests of all stakeholders and continue to show their concerns for the impact on the environment. Such concerns and respects not only come from the importance of stakeholders to corporate development, but also from the gratitude and return of enterprises to the society and their environment for existence.
- To concern about the possible worries of products which produced in the process of design, manufacture and delivery, and take positive response measures, to achieve in the harmony between products, people and nature.
- The stakeholders of the Company include its shareholders, customers, staff, creditors, service providers and the community. The chart below briefly shows the major stakeholders of the Company and the specific sections setting out social responsibility practices of the Company in this annual report:



# Quality Management

The basic social responsibility and foundation of the Company is to provide safe and high quality expressway products to the society. The Company has passed the ISO9000 certification, established the Company's quality control and management system based on the ISO9000 management standards, and implemented in the Group to ensure the quality and safety of products and services provided. In addition, the Company has also constantly endeavored to increase traffic capacity and safety factors through relevant technological upgrading and innovation.

## Implement Quality Management and Assure Quality and Safety of Highway Construction

Quality management is essential to the management of expressway construction. To achieve the Company's mission of "constructing and managing high-quality expressways", the Company has actively implemented standardised management and established a comprehensive business flow and quality control system which has been implemented and complied in each segment from project preliminary design, tendering to construction.

To minimise design defects of projects and reduce safety risks during implementation, the Company conducted on-site investigation and specific technological study and demonstration on projects to provide basic data for the designers, participated in such preliminary work as feasibility study, preliminary design and construction drawing design, and communicated and discussed further with the designers for the key points of the projects.

In tendering segment<sup>o</sup>Athe Company has formulated the management code in accordance with the requirements of laws and regulations regarding qualification and tendering management. It also has reviewed the qualification of potential contractors, strengthened its control over the preparation quality of tender documents, created appraisal and assessment portfolios for the constructors it co-operates with, and sought to selected qualified constructors and establish long term co-operation with partners with good credit standing.

The Company adopted an access management system for the building materials, which requires construction units to submit relevant documents to the supervision units for approval and to the owners for filing respectively before such building materials are used. The Company has also appointed a third party to inspect or spot check the main raw materials and part of a project. Through strict quality management and control of materials, the Company uses its best endeavor to eliminate hidden dangers of materials to ensure the safety and quality of projects.

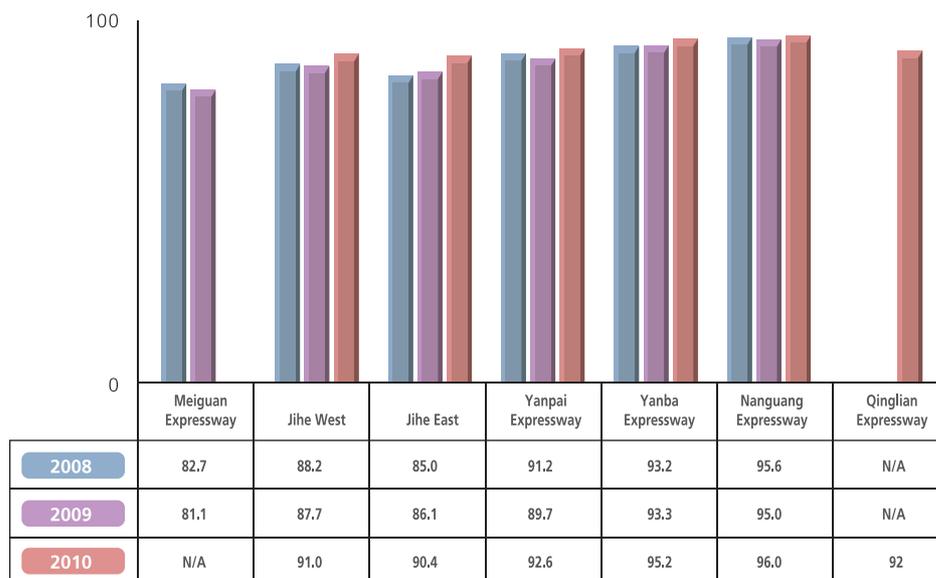
In project implementation, the Company has built a two-level quality control model. The first level is the monitoring and management of design, supervision and construction units by the project management offices of the Company, while the second level is the monitoring, examination, guidance of and service provision to project management offices by the Project Management Department. At each management level, responsible parties shall conduct regular general examination and irregular specific examination on supervised parties in accordance with the terms of contracts and the requirements of the Company's management codes to ensure the compliance with quality, safety, cost, progress and environmental protection requirements of projects.

With a quality management system that meets scientific standards and sound system implementation, the construction quality of the Company's projects has continued to maintain at a higher level. In 2010, Coastal Project which the Company was entrusted to construct, ranked the first and second respectively in two comprehensive evaluations held by the government of Guangdong Province regarding construction quality of expressways under construction.

## Establish Highway Maintenance Management System, Assure Quality and Safety of Traffic

Strengthening highway maintenance management helps to prevent highway damages, timely eliminate hidden dangers to the safety, maintain sound highway technical conditions and extend useful life of existing highways, thereby effectively enhancing highway transportation efficiency. This represents an important foundation for ensuring safe, rapid, efficient and comfortable road traffic quality. During the Reporting Period, the highway Maintenance Quality Indicator of each expressway managed by the Company was graded as excellent or good.

**Highway Technical Condition Index (MQI) of Highway Directly-managed by the Company in 2008-2010**



Note: Highway Technical Condition Evaluation comprises four parts, namely road surface, road bed, bridge and tunnel structure and roadside facilities, represented by MQI (Maintenance Quality Indicator), a highway technical condition index, and corresponding sub-indexes. It is classified into five grades, namely excellent, good, average, sub-standard and poor, where a project scoring 80-90 is good, over 90 is excellent.



The Company has established an analysis system for maintenance management, which provides a comprehensive management function of storage of and contrastive analysis on road condition data of road networks, and information such as coping measure model for maintenance, prediction model for road surface performance and prediction model for economic performance. Through the application of prediction model for road surface performance, the Company can predict future change and trend of road surface technical performance under certain conditions. Based on such prediction, it can propose maintenance coping measures and conduct economic assessment and proposal optimisation, and formulate reasonable maintenance plans and quality objectives.

In daily management of road assets, the Company conducts daily examinations, recurring examinations and regular examinations on managed expressways in accordance with the national highway maintenance technical regulations and evaluation standards, and closely monitors highway technical conditions, to timely identify highway damages. In the implementation process of maintenance work, the Company has strengthened its supervision management over construction units, controlled its project quality in strict compliance with various technical regulations and defined the requirements of traffic safety facilities and warning signs in construction, to minimise the impact of construction on highway traffic and ensure traffic safety.

In 2010, the Company formulated six new management rules for highway maintenance and modified two existing management measures. With institutionalised management and reinforcement of execution, the Company effectively enhanced road safety and facilitated the transportation.

## **Technological Innovation**

In highway construction and maintenance management, the Company has continuously explored and applied new materials, new technologies and new processes, commissioned industrial experts to conduct specific technological studies and technical projects, and made important scientific achievements. Some research achievements are first of its kind in highway construction in the PRC, and many achievements have been included in industrial standard documents by relevant industrial departments. By putting such scientific achievements into practice, the Company has effectively enhanced the quality and safety of project construction and road assets maintenance.

Customers (i.e. clients) are users of the Company's products and services, and their recognition is the foundation for the sustainable development of the Company. At the present stage, the major customers of the Company are drivers and passengers who use automobiles as their means of transportation, and various business or non-business entities they work for, as well as government and high way investors who need to use highway construction and operation management services.

In 2010, the Company further improved its management and services on original basis, constantly improved the quality of services in the areas such as enhancement of functional organisations, enhancement of emergency response regime and perfection of customer complaint regime, and enhanced the customer satisfaction.

## Enhance the Administrative Organisations and Functions

For the purpose of improving management efficiency to provide customers with safe, rapid and comfortable transportation conditions and environment, the Company has established a customer service center for customer complaint management, emergency operation, customer satisfaction survey, information collection and release, data checking management and operation coordination. The Company also prepared and further revised such procedural documents as the Procedures for Handling Customer Complaints (《顧客投訴處理程序》), the Procedures for the Control of Information Release (《信息發佈控制程序》) and the Procedures for Rapid Traffic Dispensing During Rush Hours (《高峰車流快速疏導控制程序》), and has effectively implemented such procedures. With the cooperation of toll gates, traffic police and road administration departments, the customer service center has facilitated such functions and strength as communication and coordination, resources dispatch and information sharing since the commencement of operation, and has effectively improved the overall efficiency of daily toll collection and emergency operation.

## Enhance the Emergency Response Mechanism

To fulfill the corporate value of "improving public transportation efficiency", the Company has been studying emergency management measures for peak hour traffic. In 2010, the Operation Management Department of the Company focused on and proceeded the establishment, improvement and implementation of the emergency response regime, which has ensured smooth traffic flow during peak hours on the holidays or after emergent events or accidents. The Company has formulated the "Classified Response Scheme for Peak Hour Traffics at the Toll Plazas" (《收費廣場車流高峰分級響應方案》), which further modifies the emergency response plan, procedures, action measures and specific emergency guidelines on the basis of sorting out and analysis on various contingent or emergent events, and also carried out emergency training and response drills to ensure orderly traffic dispersion during rush hours or accidents. Meanwhile, in order to ensure smooth traffic, the Company worked closely with the traffic management department for centralised dispatch and direction to rapidly remove road blocks and traffic obstacles arising from traffic accidents and to quickly provide emergency response value-added services to passing-through vehicles. In addition, the Company set up a specific supervision and inspection team to enhance supervisory and rectification by studying the difficulties and advices from each section before holidays, tracking the implementation of the established procedures during holidays and carrying out specific evaluation after holidays, with the aim to continuously improve the management quality.

In 2010, the Company has carried out a specific analysis on the existing traffic capacity, and formulated and planned to implement a toll gate expansion scheme after discussions and on-site investigation with the aim to better cope with the continuously increasing traffic flow.



## Strengthen Customer Relationship Management

By setting up a multi-layered information communication platform, the Company has implemented its responsibilities for information collection, feedback, analysis and handling and established an effective communication mechanism with its customers.

In 2010, the customer service center of the Company released over 1,300 pieces of information on its road assets and reported over 3,800 messages regarding to traffic condition. These notices kept the drivers and passengers timely informed of various road conditions, ensured real time direction and dispatch during an emergent circumstances and improved efficiency of business operation, and has received positive comments from drivers and passengers.

To promptly deal with customer complaints, understand the changes in market and customer needs, enhance its self-control and rectification capacity, and promote the improvement of service quality, the Company has established a platform for communication with customers and complaints handling, announced to the public the unified hotline for enquiries and complaints, and collected customers' advices and recommendations through various channels including on-site, website, email, news media and competent authorities. The Company insists in the principle of "giving response to any complaints, correcting immediately to all mistakes", and implements the management models of "first inquiry responsibility system", "division of work and authorisation system" and "leader responsibility system". In 2010, the Company designated the function of customer complaints management to the customer service center, and further enhanced the customer complaints processing mechanism. All enquires and complaints are required to be handled strictly in accordance with processing procedures of customer complaints. In the event that a customers' demand cannot be satisfied on site and through telephone explanations, the Company assigns the responsibility for handling complaints to specific departments based on differences in sources and types of information. Relevant responsible departments are required to conduct information screening, selection and organisation in a timely manner, and respond within 24 hours. With regard to unreasonable complaints, the staff are also required to patiently publicise and explain the relevant policies and regulations. In 2010, the customer service center has handled 525 complaints regarding the operation, including 448 complaints for Unitoll Card, 73 complaints for the service and 4 complaints for cash transaction. The total annual complaint rate is 0.596 per 100,000 vehicles, representing an decrease of 21.4% over last year. Reasonable complaint rate is 0.095 per 100,000 vehicles, representing an decrease of 35.9% over last year, and 100% of reasonable complaints was handled and replied.

The Company collects customers' opinions through various channels, classifies the information into categories such as customers' demands, recommendations, complaints and satisfaction feedbacks based on the differences in customer groups and projects, and input it into the database for further organisation and analysis. The Company has prepared "An Analysis on Service Complaints and Handling Measures" (《服務投訴案例及處理辦法分析》) based on the periodical classification and summarisation of and analysis on the complaints, and arranged the customer service staff for study and discussion to deepen and strengthen their sense of service, and to improve their response capability during handling complaints.

In order to understand the customers, enhance the operation management and achieve the objective of continuous improvement in customer satisfaction, the Company has conducted customer satisfaction survey in various ways since 2007. In 2010, the Company has carried out the customer satisfaction survey mainly targeting at road users by means of questionnaire and telephone interview. According to the survey result, the overall customer satisfaction index for 2009 is 82.6 (2008: 78.6), indicating a continuous improvement in customer satisfaction survey.

"Let the staff be successful, healthy and happy" is one of the values of the Company. The Company is committed to the principle of legal and equal employment and strives to create a cultural atmosphere of "happy work and harmonious win-win" to provide a safe and healthy working environment and to build a desirable career development platform for the staff. The Company also continuously promotes the appreciation of human resources to achieve a harmonious win-win situation between the interests of the staff and the Company. As at the end of 2010, the Company has 2,028 employees, of which 45% are female.

## Concern for Benefits and Protection of the Staff

The Company philosophy kept the philosophy of long-term employment. It has signed longer-term labour contracts with its staff in accordance with the requirements of the Labour Contract Law and the Implementation Regulations of the Labour Contract Law. The rate of signing labour contracts is 100%. Paid annual leave system has been implemented to protect the staff's rights to normal workload, rest and leave according to laws.

The Company provides competitive salaries and benefits in the industry based on the market practices to attract and retain outstanding talents. In order to allow the staff to share the operational achievements of the Company, it has increased the overall remuneration for toll collectors by 15% in July 2010. Details of the remuneration and benefits policy of the Company are set out in the section of "Report of the Remuneration Committee" in this annual report. Apart from statutory benefits, the Company has made regular enterprise pension contributions (supplementary pension insurance) for its management staff and key technical staff to ensure their living standard upon retirement, thereby building a long-term trust between the Company and its staff. In 2010, the Company's payment of enterprise pension amounted to RMB2,545,000 (2009: RMB2,336,000). In addition, for toll collectors who have been working over 5 years, the Company has launched a re-employment incentive payment scheme to finance staff to return to workforce on the basis of acknowledging their contributions to the Company. This provides more opportunities and choices for their career development. The Company has also voluntarily procured commercial insurance on personal accidents for all staff, and the Company's labour union has initiated the "Employee Mutual Aid Fund for Major Diseases and Personal Accidents" to strengthen staff's ability of resisting the risks of illnesses and injuries. In 2010, the Company's payment of re-employment incentives to 86 employees amounted to RMB517,000 (2009: RMB160,000), and distribution of mutual aid fund amounted to RMB116,000 (2009: RMB30,000).

## Maintain Safety and Health of the Staff

The Company uses its best endeavor to create a healthy and safe working environment for its staff by equipping with necessary occupational safety equipment and strictly implementing management regime for safe operation. It also enhances the safety awareness and skills of the staff by various methods.

The Company has set up a special Production Safety Committee, and employed 2 specialised certified safety officers for the daily supervision of production safety. The Company has formulated the Control Procedures for Safety Management (《安全管理控制程序》) and the operation standards, and monitored their implementation. Meanwhile, the Company conducts various occupational safety and skills training, covering such aspects as basic knowledge on and skills of safe operation, standards of technology, emergency response to accidents, self-care and first aid, to improve the staff's safety awareness and capability of safe operation, accident control and emergency response. In addition, the Company also conducts a series of measures to help the staff to prevent occupational injuries, minimise and prevent industrial accidents. For example, the height of desks and chairs inside toll booths have been modified to fit human engineering so as to minimise fatigue caused to toll collectors due to repetition of work; regular inspections and tests are conducted at places such as tunnels where vehicle exhausts accumulate, and high-standard protective masks are provided for the staff.



The Company strictly complies with technical regulations in the industry to ensure that the office environment meets the requirements of such regulations. For example, the Company decorates and furnishes with green material and green furniture in newly decorated areas, regularly inspects and tests the air quality, noise and ventilation in offices, and establishes indoor oxygen supply systems, so as to strive to provide a healthy and comfortable working environment for the staff. During hot seasons, allowances are given to staff and free drinks are provided to frontline staff to lower their body temperature. Emergency and medical treatments are provided with best efforts to staff injured in accidents, and industrial injury insurance is procured in strict compliance with relevant requirements to guarantee availability of medical treatment and economic compensation to the staff. In 2010, the Company was awarded the accolade of “Forerunner in Production Safety of Transportation in Shenzhen 2009” (2009 年度深圳市交通運輸安全生產先進單位) by Transport Committee of Shenzhen Municipality.

## Construct a Harvest Platform for the Staff

As the old saying goes, “Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime”. The Company makes efforts to help the staff improve their job skills, and expects them to constantly make achievements and progress, and thus the staff may develop themselves while meeting the talents demand for the growth of the Company, which leads to a win-win situation between the Company and the staff.

### 1. Staff Training and Enhancement

The Company set up a multi-layered training system based on the corporate development strategies and the characteristics of different positions and requirements to the staff. The Company also designed four training projects, covering management capability, professional skills, management skills and fundamental skills, to enhance the staff’s comprehensive quality and capability. In 2010, the Company and its departments have organised over 46 training sessions with accumulated training hours of 9,980 hours (2009: 9,850 hours) and training costs amounting to approximately RMB1,153,000 (2009: RMB795,000). 2,465 person-times (2009: 2,326 person-times) have participated in the training, among them are staff of all levels from toll collectors to senior management.

The Company set up and continuously improved the internal training lecturer regime. At present, the Company has 17 internal training lecturers, most of whom are the Company’s department heads or the key members who have extensive practical experience and profound knowledge of corporate culture and management philosophy. They have not only taught their skills and shared their experience to the staff and solved their problems, but also expressed their thought about the corporate culture and preached their enlightenment and gave encouragement regarding to career development and philosophy on life.

The Company encourages the staff to make learning exchange and experience sharing by various methods and to make use of spare time for self-learning and further education. The Company has built a knowledge management database that contains various laws and regulations documents, procedural documents, work documents, internal and external cases and scientific achievements in the intranet system for its staff to circulate and share. The Company has also established an online training college and implemented schooling education and qualification examination management. Subsidies or incentives of certain amounts are provided to staff taking relevant education and qualification examinations. In 2010, the Company has provided schooling education incentives amounting to RMB33,000 (2009: RMB13,000) to 20 employees.

## 2. Staff Incentives

With the use of Balanced Scorecard, the Company has set up performance management and remuneration incentive systems which used the improvement of customer and business as orientations. Various incentives such as performance bonus, salary adjustment, promotion, excellence appraisal and succession plans are provided to the staff based on the results of performance appraisals. Every year, the Company selects a group of outstanding staff, toll collection models and service models. Moral and material awards are granted to commend such staff for their excellence and inspire their passions on working.

## 3. Career Planning of Staff

The Company has formulated the Rules for Selection and Appointment of Management (《管理人員選拔任用辦法》) and established a system for selection, training, appointment and appraisal of reserve cadres. The Company has adopted different ways of talent selection, including self-recommendation, department recommendation, management nomination and public recruitment, creating a good employment environment. In 2010, the Company organised 6 recruitment fairs of various types. A total of 23 employees were promoted through public recruitment and became the major force for the Company's development.

For the purpose of meeting the development need, the Company deems the establishment of the management system for the staff's career planning as an important task in and after 2010. The Company has helped the staff to plan their career development by adopting management instruments such as the "Guide" system, job rotation, "dual path" career development approach for administrative and technical posts, establishment of reserve talent bank, improvement plan for personal quality and management of position qualification.

## Create Harmonious Working Environment

The Company carries out various healthy recreational and sports activities every year to strengthen the development of corporate culture and enrich employees' leisure life. In 2010, the Company held ball and mountaineering competitions, team building training, calligraphy and painting and photo contests, and held exhibitions. It has also organised performance groups consisted of the Company's performance art enthusiasts to tour and perform for the lower rank staff, and organised an Operation Cup (營運杯) chorus competition and talks of specific subjects, Such events enables the staff to enjoy the pleasure of life after work and to feel the cohesiveness and warmth as a group.



The Company has established various complaint and communication channels with its staff. Apart from the daily communication, performance interview and suggestion box for the staff, the Company's internal publication, staff forum in intranet and its e-mail are all effective channels for the staff to express their thought and for the management to listen to their staff's opinions and to give their feedback. The Company broadly listens to and follows up its staff's demand for their interests and their suggestions for the corporate development through annual staff representatives' meeting, symposium and questionnaire. In 2010, the Company collected approximately 50 opinions and suggestions from 21 staff members, and has fulfilled their demands or given corresponding explanations.

Shenzhen Expressway insists in consolidating the consideration for environmental factors into the whole process of highway construction and operation management, and strives to realise the philosophy of environmental protection into the practical activities such as the protection and use of soil and water resources, pollution prevention and resource recycling. The Company expects to start from itself to protect the environment as best as it can, utilise resources in a rational manner and promote environmental awareness, so as to make contribution to a harmonious development of enterprises and environment. In 2010, the Company complied, as always, with all the laws and regulations on environment, earnestly fulfilled the industry's standards in its environmental research, evaluation and review, incorporated the philosophy of "safe, environmental, beautiful and harmonious" into project construction management, and actively cultivated its staff's environmental awareness.

## Embody the Philosophy of Environmental Protection

In accordance with requirements under industrial standards, the Company shall engage a qualified third party at the stage of lane planning and design to conduct a specific study and prepare an assessment report, in order to make an overall assessment on the possible environmental impacts on the areas along the project and to put forward measures and strategies for pollution prevention, reductions on the environmental impacts and improvement of existing environmental problems in the design and construction plan with reference to the scope and degree of such adverse effects. At the stage of preliminary study and planning, the Company embodied the philosophy of environmental protection into the design project.

In 2010, the Company commenced the preparatory work for the expansion of North Section of Meiguan Expressway, and commenced the construction work in December. The Company's philosophy of "attaching importance to environmental protection" continued to be reflected in the design of project, specifically in the following aspects:

- The Company engaged professional institutions to conduct assessments and studies on and to provide solutions to noises, air, water resources, ecological environment and water and soil conservation during the construction and operation period, and included the installation of noise-barriers and side slop ecological protection measures in the construction drawing design accordingly. Precaution measures for noises and exhaust emissions during the construction period were also required to be clearly set out in the construction tender documents.
- The Company has completely considered utilising existing materials during the phase of design to reduce the excavation of earth and stones and wastes of construction and to make specific requirements to the piling, drainage and afforestation on dump sites during the construction period.
- The Company emphasised on the prevention and recovery of water pollution in the designs, and connected the draining systems of expressways with the municipal draining systems to prevent the drained water on the route surface directly running into the residential areas along the highways.
- The Company organised designing units to conduct on-site investigation and in-depth research on the sensitive sites of the areas along the project where land acquisition and demolition were needed in order to minimise the adverse impacts on neighboring environment and community through adopting such measures as the prevention of demolition of a large number of buildings and high voltage iron towers by using retaining walls and piling, and avoidance of relocation of important pipelines by changing the span of bridges and infrastructures.
- The Company adopted various measures such as modification of the design of central median, afforestation on the side slop and the creation of ecological plant landscape in interchange areas to protect the environment, harmonise the surrounding environment and build landscape avenues.
- The Company has implemented specific studies on the layout of traffic facilities and prepared applicable design plans so as to minimise the inconvenience to the road users or pressure on the regional road networks caused by such extension works.

## Implement the Measures of Environmental Protection

At the stage of construction, the Company strengthened its environmental monitoring and made stipulations in the contracts to regulate the activities of the construction units to minimise the nuisance from the construction sites to the residents nearby. During the construction of Nanping (Phase II), which is an entrusted construction management project of Shenzhen municipal government, the Company fully utilised its professional management experience to protect the environment and conserve resources. Relevant measures are as follows:

- The Company engaged a qualified third party to conduct environmental monitoring, issued to competent authorities of environment administration and project management office "Monthly Report on Environmental Supervision of a Project in Construction Period" on a monthly basis, and took measures timely while finding problems.
- The Company entrusted a third party to monitor water and soil loss, water and soil conservation and the effectiveness of the prevention of water and soil loss and to adopt rational measures in a timely manner when finding problems or hidden dangers, so as to ensure that the project construction fulfill relevant requirements of water and soil conservation.
- The Company installed noise barriers in the major residential areas along the highways and set out specified requirements in respect of noise prevention and control in the contracts, which require the contractors to adopt low-noise construction technology and methods during the construction works and prohibit them from carrying out construction works that produces noises at noon and night, to minimise the nuisance to the residents along the highways.
- The Company required the construction units to carry out centralised treatment for the sewage or wastewater produced from the construction works and daily life, which shall only be discharged after being tested and meeting the environmental standards. The slurry from drilling operation and other construction works shall not be discharged into the municipal draining systems or rivers before being precipitated, and the waste slurry and sludge shall be transported by specialised panel trucks. The wastes produced from the construction works and daily life shall be transported to the designated places approved by the Supervising Engineers and environmental departments in a timely manner.
- After repeated comparison and research, the Company changed a tunnel plan in the original design to a roadbed and bridge plan and had the residues from other tunnels filled into the roadbed. Such measure avoided the pollution caused from the abandonment of such residues and saved RMB35 million of construction costs while enjoying the benefit from the recycling of resources.

## Promote the Awareness of Environmental Protection

The Company sees reduction of energy consumption and carbon emission as its key concern in highway operation management. Measures such as increasing manual toll collection efficiency, setting up auto toll lanes and maintaining smooth road surface are adopted to help reduce petroleum consumption and exhaust emissions of vehicles.

The Company incorporates the philosophy of "green office" in its daily office management. Office energy consumption and emission are reduced by raising air conditioner temperature, saving water, encouraging office automation, setting up digital remote conferencing system, reforming car usage system and managing paper use.

In 2010, the Company held training courses to toll collectors for garbage classification, energy- saving lighting and the use of air conditioner thermostats in the summers to enhance the staff's awareness of energy saving and environmental protection. During the year, the Company's labour union and youth league committee issued an initiative of "construct a green home together, start from us" to the staff, strengthened the environmental education and promotion to the staff, and got a favourable responses from the staff.

# Co-development

While pursuing businesses development, the Company has also valued win-win co-operation with its partners and committed to promoting sustainable development in industry, society and economy.

## Creditors

The Company's creditors include financial institutions and bondholders that provide loans to the Company. Whether the Company is operating steadily and soundly and whether it can ensure the timely repayment of principals with interests are where creditors' interests lie and remain the major concern of creditors. The Company adheres to healthy financial strategies and maintains reasonable indebttness and debt structure. In 2010, debt-to-asset ratio, interest covered multiple and EBITDA interest multiple of the Company were 58.61%, 2.47 and 3.58 respectively, and each financial indicator remained at safe levels.

To ensure safety and reasonable allocation of the capital, the Company combined the external financing environment with internal capital requirement and accordingly adjusted the financing strategies and capital management methods at due course and carrying out dynamic management of cash flows of the Group to ensure supply of capital and maintain lower financial cost. Meanwhile, the Company took highly of its credit construction and maintained a sound credit record by timely repayment of the principals with interests of its loans. Therefore, the Company has won the trust of various creditors and has been honored as the key clients at headquarters.level by many bank. In 2010, the Company continued to gain the highest rating of AAA in credit rating for borrowing enterprises in Shenzhen City and maintain the exsiting credit rating of AAA in follow-up rating for bonds.

In 2010, the Company also strengthened the construction of financial risk warning system and appointed dedicated personnel to conduct on-going and timely monitor on relevant financial risk indicators to identify and remove the potential risks during the operation to secure the sustainable development of the Company and maintain sustainable cooperation with various creditors.

## Co-operative Parties in Value Chain

In operation management, the Company committed itself to the value of "win-win cooperation" and regarded all co-operative parties in value chain (including material and equipment suppliers, construction contractors, design companies, supervision units, consulting firms and intermediary advisors etc.) as its partners. The Company neither poses as the stronger party nor gives up its position or rights and interests as the weaker party. The Company seeks to co-developpe with its partners.

The Company selects its partners on the basis of honesty and trust, and seeks to establish a long-term and deep strategic partnership with financial strong and reputable partners sharing the same values. The Company has devised a number of management systems governing procurement and tendering such as the "Management Code for Building Materials Supply" (《工程材料供應管理規程》), the "Management Code for Tendering" (《工程招標管理規程》) and the "Measures for Selection and Management of Qualified Consulting Firms" (《合格諮詢單位選擇與管理辦法》). Partners have been selected in an open, fair and impartial way. The Company has also established appraisal and assessment portfolios for co-operative project constructors and maintenance contractors. Appraisal and assessment have been conducted on quality of their products and services provided, their contract performance ability and business reputation as reference for future co-operation. Meanwhile, the Company adheres to business ethics, earnestly performs the contracts signed with its partners, and establishes sound business reputation. It endeavors to interact positively with all co-operative parties in value chain, and provides support to partners to facilitate their work, to achieve joint work objectives.

## Promote Social Development

After the development of over ten years, expressway networks of the Company have become the essential routes which facilitate regional economic development and cultural exchange. Meanwhile, the Company pays taxes in accordance with the laws, making due contribution to national and local financial income. In 2010, the tax payment of the Company and its subsidiaries amounted to RMB271,776,000 (2009: RMB 176,219,000). The Company has been awarded with the title of “Top 100 Tax-Paying Enterprises in Futian District” by Shenzhen Futian Government consecutively for 8 years.

In 2010, the Company provided more than 600 job opportunities for the society. In recruiting toll collectors, the Company has introduced a policy that gives priority to recruitment from underdeveloped regions. This helps the toll collectors to improve their domestic financial situation as they work and live in Shenzhen and provides a platform for transmitting new thoughts and new philosophys, which in turn, improves the employment of residents in these regions and supports regional development. To support the rebuilding of earthquake-hit areas in Sichuan Province, the Company recruited 10 Tibetan employees from Xiaojin County, Aba Tibetan and Qiang Autonomous Prefecture in Sichuan Province at the beginning of 2010. The Company held earnest talks with these employees on their first day of work. The management also presented them with inspiring books, directly communicated with them on their vocational development and capabilities enhancement etc.

During the Reporting Period, the Company donated an aggregate of RMB1,000,000 for charity or social public welfare purposes. Specific plans included: donation of RMB200,000 to earthquake-hit area at Yushu county in Qinghai Province, donation of RMB200,000 to charitable sight restoration campaign, donation of RMB100,000 to students from poverty-stricken regions, and donation of RMB500,000 to the poverty relief project in Zhanjiang. In addition, advertising companies also provided 25 advertising spaces at nil consideration for public welfare promotion purpose, involving a total area of over 7,500M<sup>2</sup>. While supporting the public welfare activities, the Company also encourages its staff to participate in various public welfare events to actively make contribution to the society. During the year, the volunteer teams of the Company organised donation activities for the collection of clothes and school supplies to the earthquake-hit areas in Sichuan Province and organised other activities, such as voluntary loading and unloading disaster relief material, caring for mentally disabled children and the provision of volunteer services for environment protection activities.

## Conclusion

Sustainable and healthy corporate development is inseparable from a harmonious environment both internally and externally, and respectable corporate behavior also contributes increasing the corporate competitive edges. The Company will complete the preparation and publication of the Annual Social Responsibility Report of the previous year in April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of society. The separate edition of “Annual Social Responsibility Report” (Chinese version) is regularly published and updated in the column of “Social Responsibility” on the website of the Company (<http://www.sz-expressway.com/>) to provide investors and the public with further information.