



深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED

Corporate Social Responsibility Report 2008



Corporate Vision

To become a benchmarking enterprise in the PRC's highway industry and the field of public infrastructure construction by comprehensively cultivating and continuously enhancing its capabilities in financing, investment and construction of highways as well as in procurement and integration of operational services and products.

Corporate Mission

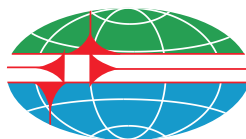
To construct and manage high-quality expressways, and to improve the transport efficiency of the society.

Corporate Values

To help the society to enhance transport efficiency

To equip the Company with stronger capabilities to generate wealth

To encourage staff to achieve and enjoy health and happiness



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目錄

CONTENTS

Company Profile	01
Chairman's Message	02
Basic Social Responsibilities	04
Stakeholders	
1. Shareholders and Investors	06
2. Creditors	07
3. Service Providers	08
4. Customers	10
5. Staff	11
6. Government and Community	14
Environmental Protection	16
Pursuit of Innovation and Excellence	19
Conclusion	21



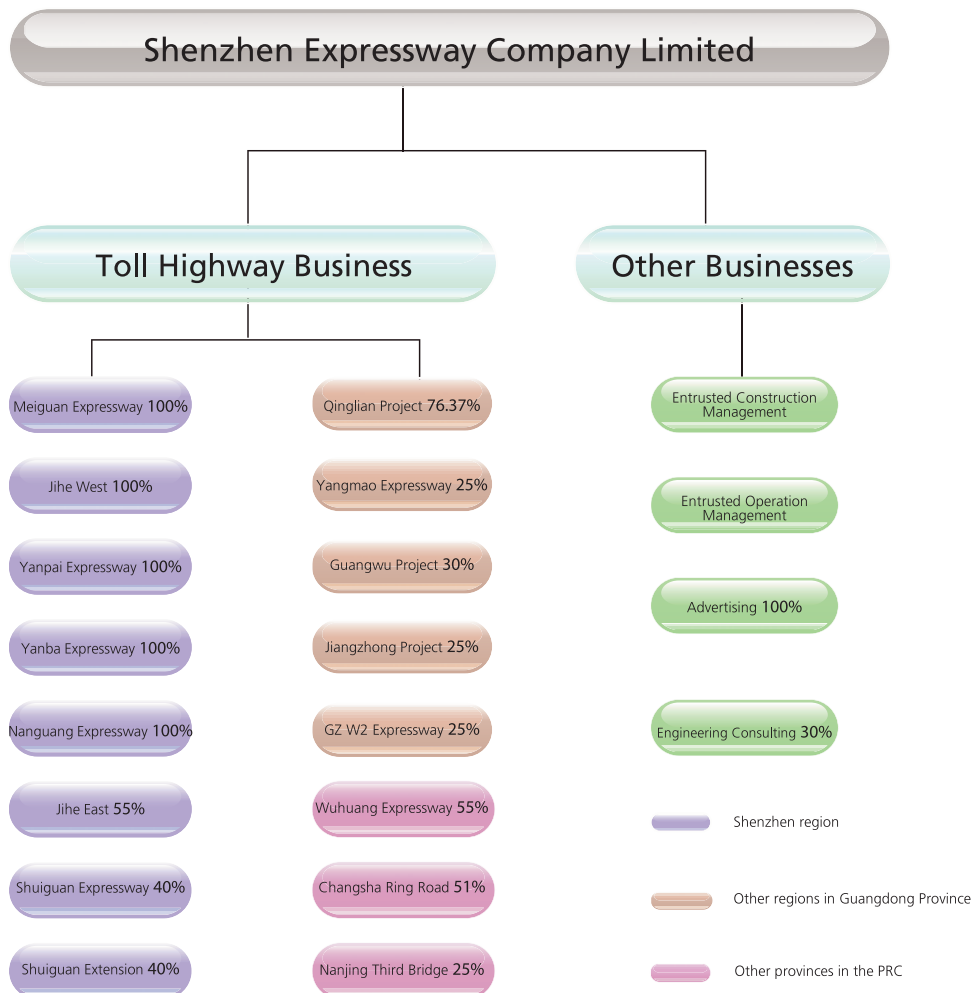


Company Profile

Shenzhen Expressway Company Limited (“Shenzhen Expressway” or the “Company”), incorporated on 30 December 1996, is principally engaged in the investment, construction, operation and management of toll highways and roads, with a consistent commitment to the development strategy that identifies toll highway operations as its core business and expands towards the Pearl River Delta region and other economically developed regions in the PRC through establishing a foothold in Shenzhen. The Company aims at improving its operation quality which in turn raises its capability to create wealth, providing quality services to the public and generating returns as a result, and achieving a balance of interests as well as creating satisfaction among customers, staff, shareholders and other stakeholders so as to cultivate their support towards the Company’s sustainable development.

During the initial stage of its incorporation, the Company primarily generated its operating revenue and profit from the three toll

highway assets injected into the Company by the sponsors. Based on the percentage of interests held by the Company, the mileage of expressways totalled approximately 11 km while that of Class 1 highways totalled approximately 70 km. Following its continuous development over one decade and having benefitted from the financing platforms both in the PRC and in Hong Kong, the Company has not only constructed a number of quality expressways with the support of its own management team but has also provided quality construction and management services to highway projects invested in by the government. The Company has expanded its presence to Guangdong Province and other economically developed regions in the PRC through acquisitions, equity investments and other means. The equity-based mileage of high-grade highways invested in by the Company has topped nearly 400 km. As at the date of this report, the principal business structure of the Company is as follows:



→ Chairman's Message



This is the first social responsibility report of Shenzhen Expressway that briefly expounds and presents Shenzhen Expressway's understanding of and performance on social responsibilities. On the one hand, the publication of this social responsibility report aims to disclose truthfully to the public the philosophy that the Company holds, the efforts that it made and the shortcomings that it has in undertaking its social responsibilities. On the other hand, the Company sincerely hopes to reach a broad consensus of corporate social responsibilities through exchanges with various sectors so that it will see more enterprises value social responsibilities and commit themselves voluntarily.

The modernisation of transportation infrastructure is a prerequisite for the modernisation of public transport efficiency which plays a major role in promoting the economic activities of a region. As a company principally engaged in the investment, construction, operation and management of toll highways and roads, Shenzhen Expressway has been shouldering a mission and responsibilities for improving public transport efficiency since the first date of its inception, striving to provide safe, convenient, fast and comfortable traffic services to the public and to seek to grow with the society.

For most growing enterprises, the performance of social responsibilities may present a process from "an unawareness of commitment" to "an awareness of involvement", and from having increasing knowledge to adopting active practice. The sector where Shenzhen Expressway has established a presence has determined what Shenzhen Expressway's inherent mission and social responsibilities are. From its survival and development, the Company has become gradually aware that the wealth of the enterprise is attributable to the public's recognition of the products and services provided by the enterprise. While providing products and services and having generated a profit, the enterprise should consistently express concerns and respect to the interests of all stakeholders. Such concerns and respect are necessary not only because of the importance of stakeholders to the development of the enterprise but also because of the gratitude and contribution that an enterprise should give to the environment upon which it lives.



→ Chairman's Message

At the present stage, the practice criteria upheld by Shenzhen Expressway in undertaking social responsibilities are: since the government is the one who engineers the standards for public infrastructures and speaks for the needs of customers, the Company listens to the voices of the government and customers conscientiously in the process from product planning to service operations, and makes them satisfied through an implementation of controls over the process of providing products and services. Based on the principle of increasing the Company's capability to create wealth so as to enhance shareholders' investment returns, the Company implements a proactive profit distribution scheme continuously. It preserves a sound financial position and a reasonable capital structure and maintains an appropriate debt paying ability to hold creditors' interests harmless. It treats all parties in the supply chain as partners, respects the partners' interests, stands for mutual benefits and seeks collaborative development in compliance with the rules of the market. It continuously provides customers with safe, convenient, fast and comfortable traffic services to unceasingly improve customers' satisfaction level. It treats staff as valuable resources and a source of corporate longevity, and holds the people-oriented philosophy that allows staff to achieve and be healthy and happy. It supports community development, cares for the disadvantaged and actively participates in charitable events as contributions to the society.

Among tens of thousands of business units in the society, an enterprise has very limited capabilities. Nevertheless, we believe that if we can reach a broad consensus on the performance of social responsibilities, our society will look bright and brilliant and will prosper with harmony.

Over the past 12 years, Shenzhen Expressway has made some achievements and possessed some shortcomings as well. In the days ahead, we will make unremitting efforts and ongoing improvements, have a heart of gratitude and always think of the responsibilities on our shoulders, for the sake of ourselves as well as for the society and the environment upon which we rely!

Yang Hai
Chairman

Shenzhen, PRC, 2 April 2009

➔ Basic Social Responsibilities

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads, belonging to the supporting industry of transportation. The basic social responsibility of the enterprises in this industry is to try their best to meet the transportation needs of the society and to promote the development of the economy and the society.

The modernisation of transportation infrastructure is a premise for the modernisation of social transportation efficiency. Social transportation efficiency plays an important role in stimulating a region's economic activities. With the in-depth development of China's open-door reform policy and economic globalisation, as well as the substantial growth in logistics and flow of travellers, the society is in an increasingly urgent need for enhancing transportation efficiency and reducing transportation costs. This made the construction and development of transportation infrastructure become one of the important links for meeting the needs of social development and promoting national economic development over the past 20 years, and the construction of expressways is growing rapidly under the support of the State's assets policies. The mileage (based on equity percentage) of expressways operated and invested in by Shenzhen Expressway has increased from 11 km at the initial stage of incorporation of the Company to nearly 400 km today. While increasing the scale of its own assets and profits, the Company has also made active contribution to the region's economic development and social progress:

Firstly, expressways serve as fast passages connecting different regions, better meeting the transportation needs for business contacts and individual travel between regions. As at the end of 2008, the toll expressways operated and invested in by the

Company partook approximately 60% and 10% of the total mileage of expressways in the Shenzhen region and Guangdong Province respectively. These expressways are well positioned and are an integral part of the national or Guangdong Provincial trunk highway networks. They do not only connect major ports, airports, customs and industrial areas in the Shenzhen region but also serve as a major passage connecting Shenzhen and Hong Kong and radiating to the Pearl River Delta region. They are part of the major infrastructures that comprehensively form the Pan-Pearl Delta Economic Zone. Since incorporation, the toll expressways operated and invested in by the Company have provided approximately 1 billion counts of traffic service for travelling vehicles, playing a major role in satisfying regional transportation needs.





➔ Basic Social Responsibilities

Secondly, expressways vitalise the economic development in the surrounding areas, bringing substantial changes to people's livelihood and producing increasing synergistic effects. With the completion of expressways and the formation of a highway network during the past decade, a number of industrial parks, new high-technology industrial parks and logistics parks have been established along Meiguan Expressway, Jihe Expressway and Yanba Expressway, where well-known enterprises such as Huawei and Foxconn have set up their offices. In Long Hua, Guanlan and the seashore parts of Yantian, numerous developers have built modernised residential quarters in line with the direction of expressway extensions. The matrix-like expressway network has brought about changes to the "transportation ecology" among cities and together with its strengths in transport capacity, speed and safety, has a direct and far-reaching impact on urbanisation and on enhancing modern logistics efficiency and quality of public life.

Thirdly, highway construction has opened up the link between developed areas and less developed areas, facilitating division of work and cooperation for areas being at different stages of development and promoting coordinated development in different areas. Qinglian Project, which the Company has invested in and aggressively pushed forward the reconstruction into an expressway in recent years, serves as a major transport channel linking the

less developed area in the northern part of Guangdong Province and the more developed area in the Pearl River Delta. Upon completion of the reconstruction upgrade, Qinglian Project will be able to enhance its transport capacity significantly and will play an active role in resolving the traffic bottleneck in northern Guangdong, driving the local economy and strengthening regional exchanges.

In the past three years, the Group's construction and investment scale in highways amounted to RMB1.3 billion, RMB2.85 billion and RMB2.5 billion respectively. The investments in expressway construction have not only created a large number of job opportunities for construction companies, but have also boosted the development of related industries such as building materials, iron and steel. According to estimates, each RMB100 million of investment in expressway construction in China can directly generate a gross social output of nearly RMB300 million (*quoted from China Communication News*).

It is the mission and social responsibility of the Company to improve social transportation efficiency which also serves as the premise of the Company's existence and development. While taking up this social responsibility, the Company seeks collaborative development between itself and the society.



Stakeholders

The sustainable and healthy development of an enterprise cannot be achieved in isolation from harmonious internal and external environments. Meanwhile, an enterprise's noble behavior is also instrumental in enhancing the competitiveness of the enterprise. Accordingly, the Company values and respects the interests of all stakeholders, and takes into account the interests of all parties and achieves a balance between them within its capability.

The stakeholders of the Company include shareholders, creditors, service providers, customers, staff, government, communities and so forth. The Company remains committed to being an exemplary corporate citizen by incorporating the philosophy of sustainable development and social responsibility into its day-to-day operation and corporate culture: actively assuming the responsibilities for the stakeholders; reasonably utilising resources; expressing concerns about environmental protection; showing care to disadvantaged in the society; and boosting the harmonious development of the society. Meanwhile, the Company believes that it is important to communicate and interact with the stakeholders in different ways which, it believes, builds a foundation of trust and partnership.

1. Shareholders and Investors

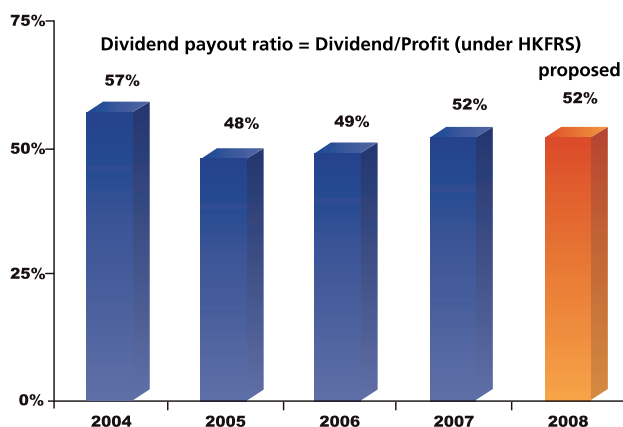
Shareholders are the contributors of capital and the ultimate owners of an enterprise. Shenzhen Expressway identifies the creation of long-term value and benefits for shareholders as its business objective, and sets out to achieve sustained operating profits in order to carry out its responsibility through different ways such as the achievement of a balance between risks and return in a scientific manner, optimisation of resource allocation, improvement to the income structure and acceleration of technological innovation.

The Company insists on rewarding its shareholders ever since its listing, underpinned by the payment of cash dividends for 11 consecutive years. As at the end of 2008, aggregate realised profits amounted to RMB 5.5 billion, while paid cash dividends totalled RMB 2.55 billion. The Board will maintain a consistent dividend payout policy in the years ahead in consideration of both the long-term interest of the Company's investors and their interest in benefitting from current gains.

⊙ Corporate Governance

The Company believes that a scientific and regulated decision-making system, a check-and-balance supervisory mechanism and a practical and effective execution capacity brought about by good corporate governance will contribute to the Company's healthy and sustainable development, and will increase the value of the Company and the value to the shareholders. Accordingly, the Company has been consistently adopting a strict code of conduct and high standards in corporate governance practice, and conducts ongoing review and improvement of such code and standards.

Historical Dividend Payout Ratio



⊙ Information Disclosure

The Company strives to ensure that all shareholders, especially small and medium-sized shareholders, are entitled to the rights to information on an equal basis. The Company treats information disclosures in a timely, fair, truthful, accurate and complete manner as its basic principles, and has established the business rules and procedures for information disclosures and improved the same continuously, and these rules and procedures are properly observed and enforced in practice. In addition, the Company also tries to get to know about investors' major concerns and makes voluntary information disclosures with regard to such concerns, so as to increase the Company's transparency and enhance the understanding and trust of investors and the general public in the Company.



→ Stakeholders

⊙ Investor Relations

The Company has advocated the cultivation of a corporate culture that respects investors and makes itself accountable to investors. The Company believes that effective two-way communication can, on the one hand, help investors enhance their understanding of the Company's business and development trends and strengthen their confidence in the Company's future development, and will, on the other hand, help the Company collect feedback from the market extensively to improve on its corporate governance and operations management standards. Based on the principle regarding full information disclosures, compliant information disclosures, equal treatment of investors, honesty and good faith, interactive communications as well as high efficiency and low consumption, the Company has established a smooth communication channel with investors to promote mutual trust and interaction by means of various methods such as presentations, roadshows, reverse roadshows, online exchanges and investor hotline.



Please refer to the sections of Shareholders and Investor Relations and Corporate Governance Report in the Company's 2008 Annual Report for details regarding the Company's shareholders, the Company's relations with shareholders and investors, and the Company's corporate governance principles and practice.

2. Creditors

Shenzhen Expressway'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 to repay principals with interests on schedule are where creditors' interests lie and remain to be the major concern of creditors as well.

The toll revenues of the Company are primarily collected in cash, thereby giving a steady operating cash flow. In the past three years, net cash inflows from the Group's operating activities and cash from recovered investments totalled RMB1 billion, RMB1.2 billion and RMB 1.3 billion respectively. The Company pays high regard to its day-to-day management of funds. By strengthening the plan management and forecast capability on capital expenditure and operating cash flows, a timely supply of funds is ensured and a lower financial cost is maintained. In addition, the Company is also strengthening continuously the relevant risk warning mechanism by conducting ongoing and timely monitoring on relevant financial risks indices to ensure such indices are controlled at a reasonable level. On the other hand, the Company pays high regard to the maintenance of its credit ratings and credit records. All principals and interests on debts are paid on schedule. This has won trust from all major creditors. In 2008, the Company was once again rated AAA Grade, the highest credit rating, by lending companies in Shenzhen, and was designated as a key customer at the head office level by a number of partnering banks. The Company has good asset quality, steady and abundant cash flow, smooth financing channels and abundant reserve of credit facilities, sufficient enough to ensure the repayment of all principals and interests on debts.

The Company respects and protects the legitimate rights and interests of all creditors, and pays high regard to maintaining a sound financial position and a reasonable capital structure to ensure its healthy and ongoing operation. In 2008, the Company's interest covered multiple was 1.82 and EBITDA interest multiple was 2.27, both of which were at a sound level.



3. Service Providers

Shenzhen Expressway regards all cooperative parties (including materials and equipment suppliers, construction contractors, design companies, supervision units, consulting firms, intermediary advisors and so forth) in the value chain as 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 grow with its partners.

Shenzhen Expressway's quality principle is to enhance the quality of highway construction, maintenance and operation with a premier quality in procurement and integrated operations. To this end, the Company needs to secure the full support and cooperation from all service providers. For this reason, the Company extensively communicates, discusses and shares experience with all service providers, and creates as much as possible the conditions for its partners to work well with the Company which helps shape a constructive interactive mechanism.

With respect to procurement of services and products, we have been selecting partners in an open, fair and impartial way in compliance with the procedures stipulated by the government and the Company. In line with business needs, the Company has devised a number of management systems governing procurements and tender invitations such as the "Rules on Building Materials Supply Management" (《工程材料供應管理規程》), the "Rules on Projects Tendering Management" (《工程招標管理規程》), the "Rules on Project Contracts Management" (《工程合約管理規程》), the "Measures for the Selection and Management of Qualified Consulting Firms" (《合格諮詢單位選擇與管理辦法》) and the "Measures on Office Supplies Procurement Management" (《辦公用品採購管理辦法》). The above systems are executed accordingly in price consultation, price evaluation, selection, examination and approval of contracts, inspection and control of product quality with respect to services and products. The above systems are also used for appraising the quality of products



→ Stakeholders

and services supplied by service providers, their contractual capacity and their commercial standing. An appraisal and evaluation archive has been established for long-term cooperative project constructors and maintenance contractors, with a view to seeking to establish a lasting partnership with financially strong and reputable partners.

With respect to project management, the Company puts high regard to the pre-stage technical management of construction projects. Case studies are conducted on essential technology factors based on the specific conditions of different projects, so as to provide to the designing party with basic information and suggestions to enable construction design drawings to meet both the functionality of the projects and the technical requirements for construction. Before a project enters a construction period, the Company will conduct a careful analysis of every aspect ranging from the overall project to every detail by formulating a progress schedule to identify the focuses, problems and resources to be allocated and committed at different stages of a contract, so as to help project contractors to clarify the work details they need to prepare at the pre-stage of the construction. During project construction, the Company will always communicate with the management company to specify the project quality and safety requirements. It will also proactively share experience with the construction company in the focuses and problems of the works, and will put forward proposals to ensure that the project progress and quality are in compliance with the Company's requirements.

With respect to operation and maintenance, the Company communicates and exchanges with maintenance contractors by means of written and electronic documents, meetings, on-site inspections and so forth; assists them in solving tough problems that they encounter in the course of construction and maintenance by means of instructions, training and technological discussions; creates a good working and living environment for them as much as possible by providing a maintenance site or otherwise; and completes routine maintenance and all special works jointly with the maintenance contractors on the premise of pursuing a strict performance on the relevant contracts.



4. Customers

At the present stage, the major customers of the Company are drivers and passengers who use automobiles as a means of transportation, and various business or non-business entities they work for. With the development of the Company's business, the service targets of the entrusted construction management business are also becoming increasingly important.

With respect to provision of traffic services, the Company improves its services by various means to raise the degree of satisfaction among customers:

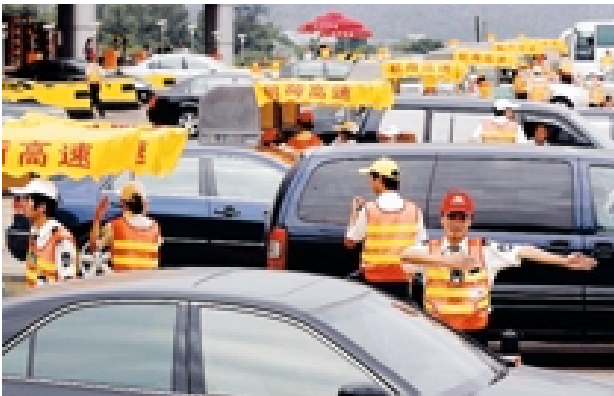
- ➔ The Company steps up the maintenance of road assets and road patrol management to facilitate a timely handling of potential risks to traffic safety such as road damage and to raise the road safety index;
- ➔ The Company strives to enhance the responsiveness in handling contingencies such as traffic accidents by way of measures such as strengthening traffic monitoring, enhancing road patrol, conducting surveys and investigations on accident-prone road sections, and carrying out analysis with reference to the technical state of road surface;
- ➔ The Company monitors and analyses the traffic volumes on all road sections to collect the characteristics and patterns of changes in traffic, based on which the Company enhances the traffic capacity of the entire highway network by improving services and management modes, adjusting prices moderately, and partnering with the news media and other road sections to induce a rational re-allocation of traffic volumes;
- ➔ The Company responds to the launch of a tolling network throughout the province and strengthens the skills and on-the-job-training of tolling staff in order to shorten the time of toll collections and enhance the efficiency of toll settlement and traffic;
- ➔ The Company strengthens guideposts and publicity of the highway network; acts as good travel advisor to drivers and passengers; provides services for the convenience of customers such as tea, medicines and fire extinguishers; and sets up customer service centres to respond to customers' needs swiftly and improve customers' satisfaction continuously.



→ Stakeholders

The good services of the Group have been recognised by the general public. In 2008, Meiguan Expressway and Jihe East were awarded the accolades of “The Nationwide Young Civilised Unit-2007” (全國青年文明號) by the Ministry of Communications and the Central Committee of the Communist Youth League. In 2006, the Company was named among “Well-known Enterprises in Shenzhen”. The Company went through accreditation in 2008 which was held every two years, and was once again named among “Well-known Enterprises in Shenzhen”.

With respect to provision of entrusted construction management services, the Company charges an appropriate amount of administrative fees for the provision of specialised construction management services to the entrusting parties. To meet customers’ needs, and to achieve various objectives on investment, quality, construction schedule, safety and environmental protection as stipulated under contracts, the Company has based on its more than ten years’ experience in engineering construction and management to establish a comprehensive quality management system specifically for various aspects of the construction process such as design, tender invitation, quantity surveying, payment and inspection upon acceptance, so as to regulate the conduct of managers, supervisors and contractors, and will improve the system on an going basis. Various projects managed by the Company such as Nanping (Phase I) were widely acclaimed by the government, the public and the community at large, thereby laying a sound foundation for the Company’s development of this business.



5. Staff

Shenzhen Expressway regards its staff as its valuable resources and wealth. Enhancement of value in human resources serves as a basis for the Company’s ever-lasting undertaking. The Company respects the hard work and creation of value contributed by its staff, strives to create a safe and healthy working environment, provides its staff with comprehensive benefits protection such as medical treatment and retirement, and places high regard to the protection of staff’s legitimate rights and interests. Through implementing and improving an incentive and disciplinary mechanism, as well as a talents training and selection mechanism, the Company fully inspires staff’s passions and creativities on working, builds a good development platform for staff, and achieves a harmonious win-win condition in the interests of the staff and the Company.

⊙ Protection of Staff’s Rights and Interests and Improvement of Staff’s Benefits

The Company deals with labour relations in strict compliance with the labour laws and regulations of China and the industry codes of conduct. It prohibits the hiring of child labour for any post and strictly prevents discrimination in employment. The Company protects the rights of staff to normal workload, taking a rest and taking a holiday in accordance with the law; implements an annual paid leave policy; and arranges working hours in accordance with the law. As to any necessary overtime working hours, the Company offers compensation to staff by various means such as switch of leave and payment of wages for overtime to protect staff’s rights and interests effectively. After the “Labour Contract Law” is published and takes effect, for the staff who are eligible for signing labour contracts without a fixed term, the Company handles their applications according to the law to safeguard their rights to work and career stability. 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 the workforce on the basis of acknowledging such staff’s contributions to the Company. This provides more opportunities and choices to them in career development.

Pursuant to statutory requirements, the Company has participated in an employee retirement benefits scheme (social endowment insurance) which is organised by the local government authorities, and has provided basic medical insurance, industrial injury insurance, unemployment insurance, maternity insurance and other insurance

schemes to its in-service employees. In addition, the Company has voluntarily procured commercial insurance on personal accidents for all staff, and the Company's labour union initiated the "Employee Mutual Aid Fund for Major Diseases and Personal Accidents" to strengthen our staff's ability of resisting the risks of illnesses and injuries. From 2006, the Company has made regular enterprise pension contributions on behalf of the management staff and key technical staff to allow them to further share the fruits of the Company's development and to safeguard the livelihood of the staff upon their retirement, thus building a long-term trust between the Company and the staff. In 2008, the Company's payment of the social insurance such as endowment insurance and medical insurance, and the payment of enterprise pension and the distribution of mutual aid fund amounted to RMB6,400,000, RMB2,230,000 and RMB111,000 respectively.

◎ Safeguarding Staff Safety

Production safety is one of the major objectives of the Company in its operations management. The Company has set up the Production Safety Committee to lead and coordinate the Company's production safety, and cultivated 2 certified safety officers who were engaged in daily supervision on production safety. **With respect to construction projects**, the Company established a safety management team fully responsible for monitoring the execution of duties in production safety as stipulated in construction

contracts, supervision contracts and so on, and requires supervisors and construction companies to accordingly set up a production safety management office and deploy safety engineers in charge of supervising on-site production safety and conducting regular training for all construction workers. The Company strives to minimise the risks of occupational safety posed to the staff of construction companies while trying its best to safeguard the safety of project supervisors. **With respect to operational highway sections**, the Company has taken various initiatives such as placing more safety signages, installing safeguard facilities, reinforcing real-time monitor and strengthening safety training to minimise and avoid the occurrence of industrial accidents to staff. For example, safety guard rails have been erected outside tollgates; inspectors and command personnel are required to wear uniforms with reflective marks during operation; and facilities such as underpasses and overbridges have been built to ensure frontline staff are safe when they come on / go off duty. As to industrial accidents, the Company is in strict compliance with relevant regulations for industrial injury insurance to ensure staff can receive medical treatment and financial compensation. In 2008, the Company was awarded the accolade of "A Forerunner in Prevention of Industrial Accidents 2007" ("2007 年度工傷預防先進單位") by the Shenzhen Labour and Social Security Bureau and the Shenzhen Production Safety Supervisory and Administration Bureau.





→ Stakeholders

⊙ Caring for Staff

The Company is taking every step to provide the staff a healthy and personalised working and living environment as much as possible. For example, the height of desks and chairs inside tolling booths have been modified to fit human engineering so as to minimise fatigue caused to toll collectors due to repetition of work; regular checks and tests are conducted at places such as tunnels where vehicle exhausts accumulate and high-standard protective masks are provided for staff as a precaution against occupational injuries; tolling booths and living quarters for staff have all been equipped with air conditioners and solar water heaters, and personalised office spaces and dining facilities have been set up in the office area of the headquarters to improve the staff's comfort level on work and life. The Company is always concerned about the health of staff by providing regular health counselling and annual body checks at its own expenses. During hot seasons, allowances are paid to staff and free drinks are provided to frontline staff to reduce their body temperature.

The Company puts high regard to the setting up of recreational facilities for its frontline tollgate staff to carry out various healthy recreational and sports activities so as to create a joyful work atmosphere. Each toll station managed by the Company has now been equipped with various facilities such as multi-function rooms and TV rooms as well as various staff study places such as reading rooms and Internet training rooms, and various sports facilities such as illuminated basket courts and table tennis rooms to meet the needs of staff for leisure studies and entertainment. By organising various activities such as mountaineering, ball events and games, annual theatrical evenings, calligraphy and painting and photo contests, and showing movies and art performances to rank-and-file staff regularly, the life of staff will be enriched and cohesiveness will be strengthened in the Company.



⊙ Staff Development and Training

The Company has already set up and implemented a comprehensive performance appraisal system for staff, which is closely linked to staff's career development. Superiors are required to appraise staff's performance regularly and conduct face-to-face interviews with staff to listen to their views and to offer improvement suggestions to boost staff development. In 2008, the Company began to look into ways to further improve the job system for staff and planned a "dual path approach" towards administrative and technical posts, opening up a channel for career life development that fits different types of staff to improve their career plan and advancement. In addition, the Company will also assign in-house mentors to new staff to strengthen guidance for entrants and shorten their career growth cycle.

The Company puts high regard to staff training. At the beginning of every year, the Company works out a training program based on actual needs as a master training guide for that year, and conducts a roundup and review at the end of that year. In 2008, more than 100 training sessions with special topics were specifically held for management and professional technical staff, with a total of 959 participants, and 6 training sessions were also held for rank-and-file staff, with a total of approximately 600 participants. The Company's intranet college also launched more than 30 online training courses covering individual development, general quality cultivation, corporate strategy, human resources, standard systems and so forth for the staff to choose and use. At the end of 2008, the Company promoted an implementation plan to aid and sponsor staff to take schooling education and qualification examinations.

6. Government and Community

The government is the representative of public interests. The Company respects the government's opinions, offers constructive opinions or suggestions to the government and contributes to promoting community development by providing good public services.

⊙ Traffic Planning

Starting from project planning and design of expressways, the Company has taken various factors into full account such as environmental protection, economy and convenience. By holding discussions, written enquiries and so forth, the Company listens conscientiously to the views of the government, experts and the public, and repeatedly compares and selects linear designs and construction scales, trying its best to meet the public's needs at the present moment and potential needs for the coming relatively long period with its new projects. On the basis of considering the interests of the society and the public, the Company studies and assesses investment projects carefully to seek an unification between social and economic benefits.

⊙ Road Quality

With respect to construction management, the Company has designed relevant technical guidelines and safety operating procedures after well-planned arrangements and in strict compliance with design requirements and normative standards, and has achieved the objectives of each expressway for quality, safety and construction schedule in a practical and pursuit-for-excellence approach. A number of our projects have been rated as high-quality projects.

⊙ Support to Social Development

The Company has introduced a policy that gives priority to the recruitment of toll collectors from economically less developed areas. This will improve their domestic financial situation when they are working and living in Shenzhen and provide a platform for transmitting new thoughts and new ideas which, in turn, improves the employment of residents in these areas and supports the region's development. In 2008, approximately 32% of our toll collectors were recruited from poverty stricken counties.

In 2008, in line with the government's policy to benefit residents to ensure social stability, the Group earnestly implemented a "Green Passage Toll Free Policy" on a number of its expressways such as Jihe Expressway, Wuhuang Expressway and Yangmao Expressway by waiving the toll fees for fresh primary product carrier vehicles. The number of vehicles involved amounted to 1.8 million.



→ Stakeholders

⊙ Charitable Events

For many years, the Company has been contributing to the society in various forms of charitable events. After the major earthquake disaster took place in Sichuan in May 2008, the Company, the labour union of the Company and the staff of the Company promptly donated RMB1 million in cash to the disaster-hit areas through the charities designated by the government. The Company's Party Committee also launched an appeal and collected nearly RMB60,000 as special party dues as donations to the disaster-hit areas. The labour union of the Company also mobilised the staff in December to donate books and clothings to the disaster-hit areas to show their lasting love. During snowstorms, earthquake and other major natural disasters and while relief programmes for these disasters were being run in the Year, the Company reacted positively by strengthening traffic on all relevant road sections, providing stranded drivers and passengers with necessities and emergency assistance, and exempting tolls during specific periods or for special vehicles, so as to do the utmost to relieve the burden and worry of the government and the people. During the Year, the Company and the labour union of the Company donated RMB500,000 to the Hope Project of Guangdong Education Aiding Fund, which were applied to the construction of a Hope Project primary school in Qikeng Village, Lankou Town, Dongyuan County, showing our concern to the children who had lost their schools in the poverty-stricken areas.

The Company pays more attention to cultivating among staff a sense of social responsibility, encouraging them to care about the society whilst performing their job duties and to participate in various kinds of healthy and uplifting charitable events. With the approval by the Volunteers' Association of Futian District, Shenzhen in December 2008, the Company set up a "SZE Volunteers Team under the Volunteers' Association of Futian District" and provided members with relevant knowledge and skills training to get them prepared for participating in various community activities in the future.



→ Environmental Protection

During its business development, the Company aims at protecting the natural environment and conserving resources; strives to minimise the impact of its operation on the environment; expresses our concerns about sustainable development and environmental protection in every aspect of the planning, design, construction, operation and maintenance of its expressways; and pursues harmony and sustainable development on the Company's values, cultural environment and natural resources.

⊙ **Emphasis on Environmental Protection by Constructing Projects in Harmony with the Landscapes**

In the course of construction, it may be necessary to occupy arable land, forestland or water sources, and this has a certain impact on the natural environment and residents' livelihood along

the expressways. Because of this, the Company shoulders heavy responsibilities for environmental protection. This environmental protection philosophy runs through every aspect of the construction and management of expressways, particularly demonstrated in:

At the route planning and design stage, an entity with a corresponding qualification is commissioned to conduct a case study on the impact of a project on the environment and compile an assessment report to assess the impact created on the environment in all aspects. Pertaining to the scope and degree of negative impacts, a design and construction plan would propose policies and coping measures for preventing and controlling pollution, minimising the impact of project construction on the environment, and improving on the existing environmental issues. For example:

→ **Concerns about the compatibility of planning and design with the environment:** During planning and design, the Company acquires an in-depth understanding of the current situation and the environment along the expressway and conducts a research and analysis of the space sensitivity to make route direction away from highly sensitive areas so as to try to minimise the impact on the environment and residents' livelihood. The siting of expressway routes is based on a principle of maintaining an appropriate distance from neighbouring cities and towns by not interfering with the planning of local cities and towns but facilitating the travel of vehicles, and trying to keep away from schools, hospitals, cultural and historical sites. Route schemes that are economically rational will be selected.

→ **Cutting and disposal of earth:** In cutting earth, the Company will first consider utilising earth and stones in the cubage of excavation of the road sections, and secondly it will consider centralised earth cutting from impoverished land lots, with attention paid to the protection of local vegetation and water resources by combing irrigation and drainage for pits with local aquaculture and farmland. In construction and disposal of earth, the Company tries its best to minimise the destruction of vegetation and misappropriation of farmland, and to carry out rational planning for reclamation or afforestation projects to improve the renewable resources of land.

→ **Protection of water sources:** The distribution of water sources and the main functions of water body within a certain scope along the expressway are researched and collected to try to bypass and get out of the way of water sources; drinking water sources at the locations where urban residents are densely populated are not occupied; a well-planned highway drainage system is designed to block sewage from accessing water body or soil on both sides of the expressway; and various isolation or preventive initiatives such as afforestation are taken to protect water quality from pollution.

→ **Afforestation along expressways:** Afforestation along an expressway not only helps to improve the landscapes but also plays a positive role in stabilising roadbeds, protecting side slopes and preventing soil erosion. In designing afforestation projects, the Company takes into account various factors such as geological situation, topography and the surrounding environment, selects plants that match these factors rationally, and afforestation forests that are sound proof and dustproof and can purify the air are selected to fuse with the natural humanistic landscapes to build an ecological, environmental friendly and good-looking expressway.



→ Environmental Protection

During the construction stage, the Company strengthens environmental monitoring by strictly regulating construction companies pursuant to contracts and requiring them to strictly implement various initiatives for afforestation, water/soil conservation and prevention of pollution in order to minimise the impact of construction sites on nearby residents. For example, we carry out afforestation on completed side slopes promptly, strengthen the control on earth cutting and disposal, deliver construction wastes to waste field promptly, and promote land rehabilitation rationally to minimise soil erosion. Commercial concrete and preformed units are used as much as possible to minimise construction waste water; and silencers are installed on construction machinery and transportation equipment to prevent construction noises. We also try our best not to carry out construction during the night to minimise disturbances to the normal life of residents. Water is often sprinkled to construction sites in order to control wind-borne dust. The mixing stations for cement/concrete mixtures and asphalts we selected are located far away from residential districts, and mixers are installed with dedusting facilities for the prevention and control of air pollution. New low-noise materials are used on road surfaces to minimise the impact of traffic noises on residents along the expressway after the expressway is opened to traffic.

During the operation stage, various measures are used, such as setting up auto toll lanes and enhancing manual toll collection efficiency to improve travel efficiency and to help reduce petroleum consumption and exhaust emissions of vehicles. Sound barriers and “ecological walls” are built to minimise noise pollution. In 2008, a sound barrier with an area of approximately 10,000 square metres was erected on a section of Yanpai Expressway next to an international school to minimise the impact of traffic noises on the teaching activities in the school. In addition, the Company puts high regard to strengthening the management of vehicles carrying toxic and hazardous chemicals on the expressways by arranging specific travel periods for them so as to minimise the impact that may be created by leakage accidents, and by strengthening the training and mock drilling for handling contingencies.

The Company has been recognised by the general public for the efforts it made. In 2006, Nanping (Phase I), an entrusted construction project of the Company, was honoured “Demonstration Program for Soil and Water Conservation in Construction and Development Projects” by the Ministry of Water Resources. In January 2007, the Company was also honoured “Leading Team on Soil and Water Conservation 2006” by the Shenzhen Municipal Water Affairs Bureau.

Case

During the construction of Nanguang Expressway, the area of bare earth resulted from excavation and fillings, interchange construction, earth cutting sites and earth disposal sites totalled over 900,000 square metres. While conducting the greening design, the Company emphasised the resumption of ecological protection. We selected a variety of trees, shrubs, grasses and rattans to generate a rational layout, trying to match with the surrounding environment as much as possible, and we made decorations using flower-bearing plants and combinations of plants of different colours based on topographical features and colour lumps, thereby successfully creating a multi-layer highway ecological system resembling a natural forest. On the bare earth, hill and rock dug out during the construction process, we planted shrubs and grasses that adapted to the original vegetation. At interchanges, we primarily used trees which worked well on water/soil conservation. For rocky slopes which imposed huge difficulty for plantation, we adopted specialised plantation techniques which significantly increased the vegetation survival rate. As for the design of slope protection, we increased the variety and density of shrubs. This enhanced both the protective capability and the aesthetics of the plantation.

⊙ **Promulgating the Philosophy of Environmental Protection and Resources Conservation**

The Company thinks highly of raising staff's consciousness of environmental protection by initiating the establishment of a resources conservation-based enterprise and requiring staff to focus on execution in their work.

During daily work, there are battery-recycling boxes at the Company for retrieving used batteries at a central location. The staff are required to use less or no disposable paper cups and to use both sides of papers to save papers. An automated office system has been launched so that most of the work documents are transmitted on an integrated online office system for perusal and approval, thereby basically establishing a paperless office. On the selection of materials for fitting-out works on the new office premises in 2008, the Company emphasised the practicability of these materials while assessing whether these materials were environmental friendly; and during the fitting-out works, construction works were carried out during the time stipulated

by the government so as to reduce noise and dust to a minimal extent. Our philosophy is to mobilise staff to start from themselves and to start from minor things on incorporating environmental protection and resources conservation into every aspect of our operation.

Under the proposal of the Shenzhen Association of Listed Companies, the Company signed the "Convention of Listed Companies in Shenzhen on Self-discipline of Environmental Protection" in 2008, under which the Company undertakes to conscientiously enforce the relevant laws and policies of China in environmental protection and resources conservation, and to continuously raise the Company's consciousness and performance on environmental protection for jointly building a green enterprise and a harmonious society in collaboration with other listed companies.





→ Pursuit of Innovation and Excellence

Shenzhen Expressway knows new technologies and new methods play a revolutionary and crucial role in enhancing efficiency and improving performance. So, the Company keeps on pursuing technology and management innovations to improve its own economic benefits on the one hand and to drive the progress and innovation of the whole industry on the other hand.

⊙ Promoting Science and Technology Innovations Comprehensively

The application of new materials, new technologies and new processes to the construction and maintenance of expressways can effectively improve work efficiency, reduce construction costs, solve technological difficulties and meet the specific needs for

infrastructures under specific circumstances. Technology innovation played a key role in the reconstruction process of Qinglian Project. Qinglian Project is characterised by its large construction scale, long mileage, high degree of technical difficulties and substantial construction management. To date, there is no expressway reconstruction project as complex as Qinglian Project, nor is there any successful experience in similar projects in China that the Company can draw lessons from. Under the support of the Department of Communications of Guangdong Province, the construction management head office of the Qinglian reconstruction project has conducted more than ten key scientific research projects in conjunction with institutes of design and higher learning, and made satisfactory achievements thereon:

- A research on the overall project management has been conducted, laying a solid foundation for achieving various management objectives such as construction schedule, quality, cost and safety of the project. The research achievements were published in July 2008 and awarded the "First Prize in Outstanding Project Consultation 2008" by the National Development and Reform Commission.
- A research on the impact of different isolated layer structures on road surfaces has been conducted. Through refined analyses of simulated mechanics and through field experiments, a strong theoretical support was established for the technology using waxen curing agents in road surface isolated layers. Approximately RMB80 million has been saved from the project investment with improved quality of concrete road surfaces. The achievement on the research was nominated as the "Third Prize in Scientific and Technological Progress in Guangdong Province" by the Science and Technology Bureau of Guangdong Province.
- A research on a complete set of technologies for recycling used concrete road slabs has been conducted. The standards for multi hammerhead crushing technology, road resurfacing technology, environmental control technology and used concrete slab recycling technology have been proposed to solve construction and environmental problems, thereby saving more than RMB15 million from the project investment.
- A research on the structure performance of pre-stressed hollow boards of 30 meters and on reinforcement methods has been conducted. The proposed reinforcement method of removing beams and introducing ribs has simplified the construction process, is economical and works well. Approximately more than RMB12 million has been saved from the project investment. This method is highly worth popularisation and application.
- A research on the treatment of the solution crevice in Baixugong Tunnel 1 has been conducted. By analysing the monitoring of shocks from the explosion on the construction site in the tunnel, the monitoring of laser cross-section of the solution crevice and so forth, a brand-new set of construction technologies has been proposed such that the tunnel was completed 21 days ahead of schedule.
- A research on the project management information system has been conducted. The developments of an information platform and a wireless video monitoring system have enabled all entities to enhance their work efficiency through long-distance information transmission, information sharing and business cooperation.
- A research on the technology for reinforcing pre-stressed carbon fiber boards for the Dubu Bridge has been conducted. New reinforced materials, new technologies and new processes for pre-stressed carbon fiber boards were first introduced and successfully applied to the reinforcement of pre-stressed concrete beams in China, thus filling the gap in external pre-stressed reinforcement technology.

⊙ Management Innovation

With respect to the maintenance of expressways, the Company has set up an expressway maintenance information database on the technical strengths of various institutions of higher learning and consulting firms. Backed by such information database, the Company is able to manage a dynamic fulfillment of the Company's maintenance requirements for the near term as well as for the next 3 – 5 years, ensuring strong support to maintaining our expressways in good conditions.

With respect to project management, the Company carries out innovation aggressively by borrowing state-of-the-art management ideas, management experiences and technologies from overseas countries. With reference to the FIDIC clauses, the Company has taken the lead in introducing the system of legal-person project which was a pioneer move in the sector. It has also introduced "excellent quality and excellent management at favourable prices", a mechanism for enhancing construction quality to project construction and management, thereby encouraging owners, contractors and managers to work together on quality enhancement and to make a breakthrough in management through innovation. Having promptly summed up its project management experiences at different stages and based on the actual situation of project construction, the Company revises the existing "Project Management Manual" on an ongoing basis to adapt to new situations and requirements.

⊙ Pursuit of Excellence

The Company regards the Excellent Performance Management Model as a "golden bridge" that motivates enterprises to keep moving towards success. An Excellent Performance Management Model was introduced into the Company at the end of 2006. At present, based on 7 evaluation criteria and 11 core value requirements for Excellent Performance Management model as well as according to ISO9000 management standards and following a review of the existing work system file, the Company has redesigned its management system and set up a system file. It pushed forward a full operation of these systems through conducting repeated internal audits, controlled evaluations and simulation evaluations as well as enquiring consulting firms on various external audits and certifications. In June 2008, the operation system of the Company was officially ISO9000 certified. In 2009, the Company will further intensify the full operation of the Excellent Performance Management model with Shenzhen Expressway characteristics, and will submit an entry to run for the Shenzhen Mayor Quality Award which will help the Company move from "good" towards "excellence".



→ Conclusion

Looking back to the past, Shenzhen Expressway has accomplished some tasks and has made some achievements in social responsibilities but still has a lot to improve. The primary social responsibilities of an enterprise and the focus of interests of stakeholders will vary at different stages of development, and therefore an enterprise often needs to recollect the meaning of social responsibilities, review its own conduct and make continuous improvement to adapt itself to social development and changes. In this respect, our knowledge is not quite systematic and our task has just kicked off. However, the Company believes that with its commitment to being an outstanding corporate citizen and to communicating and interacting with stakeholders, it can progress along with all parties and grow in harmony on the basis of mutual trust and cooperation.

In the coming days, we will continue to provide safe, convenient, fast and comfortable traffic services to the public to meet the needs of social development for transport efficiency and to stimulate economic growth in the areas next to our expressways. We will also continue to cater for the interests of shareholders, creditors, service providers, customers, staff, the government and the communities at large, achieving to the best of our ability a harmonious win-win situation between the Company and stakeholders. We will also continue to promulgate noble business ethics and corporate conduct, making positive contributions to the collaborative development of enterprises and the society. We hope to walk along with more enterprises on the way towards undertaking greater social responsibilities.

The Board of Directors
Shenzhen Expressway Company Limited

Shenzhen, PRC, 2 April 2009